This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT NO. 2433.

LISTED JANUARY 30, 1970.
83,365,252 shares of Common Stock, par value $5 per share, of which 27,600,661 shares at October 31, 1969, were subject to issuance.
Stock Symbol "TGT".
Post Section 11.
Dial Quotation No. 2349.

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

TENNECO INC.

File

Incorporated under the Laws of the State of Delaware on June 9, 1947.

COMMON STOCK — PAR VALUE $5.00

Transferable in New York, New York
Houston, Texas
Chicago, Illinois
Los Angeles, California
Toronto, Ontario

CAPITALIZATION AND FUNDED DEBT AS AT OCTOBER 31, 1969

CAPITAL STOCK TO BE LISTED	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
Common Stock, par value $5.00	100,000,000	55,764,591	83,365,252*

*Including shares reserved for issuance in connection with certain transactions. Reference is made to caption No. 11 "Shares Reserved for Issuance" hereof.

OTHER CAPITAL STOCK AND FUNDED DEBT

Reference is made to caption No. 6 "Description of Capital Stock" and to caption No. 9 "Funded Debt" hereof.

1. APPLICATION FOR LISTING

TENNECO INC. (herein called the "Company") hereby makes application for listing on The Toronto Stock Exchange of 83,365,252 shares of its Common Stock, par value $5.00 per share, of which at October 31, 1969, 55,764,591 were issued and outstanding, fully paid and non-assessable. The remaining 27,600,661 shares included in this application have been reserved for issuance as set forth under the caption No. 11 "Shares Reserved for Issuance" hereof.

2. REFERENCE TO PROSPECTUS

Reference is hereby made to the attached Prospectus, dated September 30, 1969, relating to the offer by a subsidiary of the Company to exchange shares of $5.50 Cumulative Convertible Preference Stock of the Company for shares of Common Stock and Cumulative Second Preferred Stock, $1.44 Convertible Series A of J. I. Case Company (hereinafter referred to as the "Prospectus"), which by this reference is incorporated herein and made a part of this Listing Statement and will be referred to from time to time for certain additional information in connection herewith.

3. HISTORY, BUSINESS AND PROPERTIES

The Company was incorporated under the laws of Delaware on June 9, 1947, under the name of Tennessee Gas Transmission Company. On July 18, 1947, the Company succeeded by consolidation to all of the business, properties, assets and liabilities of Tennessee Gas and Transmission Company, a Tennessee corporation. The predecessor corporation was organized in 1940. The name of the Company was changed to Tenneco Inc. on April 11, 1966.

Reference is made to the information beginning on page 14 of the attached Prospectus for information with respect to the Company's business and properties.

4. CAPITAL STOCK

The Company's Certificate of Incorporation initially authorized 100 shares of capital stock, without par value. Since the organization of the Company, there have been 75 separate amendments to the Company's Certificate of Incorporation, substantially all of which have made changes in the Company's authorized capitalization.

The Common Stock in its present form was initially authorized on July 18, 1947; since that date, it has been the only class of Common Stock authorized.

The Company's Preferred Stock, par value $100 per share, was initially authorized in 1947; the Company's Second Preferred Stock, par value $100 per share, was initially authorized in 1956; and its Preference Stock, without par value, was authorized in 1967.

5. SHARES ISSUED DURING THE PAST TEN YEARS

At December 31, 1959, there were issued and outstanding 23,312,267 shares of Common Stock, 944,457 shares of Second Preferred Stock, and 916,000 shares of Preferred Stock. The Preference Stock was initially issued in 1967. The following is a summary of the shares issued subsequent to December 31, 1959.

Common Stock:

Fiscal Year	Sold to Public	Stock Options Exercised	Conversions	Stock Distributions and Dividends	Acquisitions of other Businesses	Shares Outstanding End of Period
1959						
1960	1,600,000	53,107	395,676	12,782,500	1,224,804	39,368,354
1961		51,862	379,117	—	—	39,799,333
1962		23,901	7,764	398,309	—	40,229,307
1963		28,798	2,980	—	2,457,740	42,718,825
1964		49,622	13,111	—	1,603,344	44,384,902
1965		83,301	29,243	443,755	5,358,914	50,300,115
1966		22,920	122,573	—	—	50,445,608
1967		375,877	1,588,334	—	704,564	53,114,383
1968		74,702	580,891	—	698,013	54,467,989
1969 (through 10/31)		52,911	1,243,691	—	—	55,764,591

Preference Stock (one series outstanding):

Fiscal Year	Stock Options Exercised	Conversions	Acquisitions of other Businesses	Shares Outstanding End of Period
			4,332,093	—
1967	3,117	—	—	4,335,210
1968	996	—	—	4,336,206
1969 (through 10/31)	4,025	1,947	—	4,338,284

Second Preferred Stock:

Fiscal Year	Sold to Public	Conversions	Purchases By Company	Shares Outstanding End of Period
1959	—	—	—	944,457
1960	—	97,215	—	847,242
1961	—	73,591	—	773,651
1962	225,000	1,612	—	997,039
1963	—	623	—	996,416
1964	—	2,690	—	993,726
1965	—	5,960	—	987,766
1966	1,000,000	25,478	—	1,962,288
1967	—	407,744	—	1,554,544
1968	—	160,085	—	1,394,459
1969 (through 10/31)	—	331,139	5,156	1,058,164

Preferred Stock:

Fiscal Year	Sold to Public	Acquired Through Sinking Fund	Shares Outstanding End of Period
1959	—	—	916,000
1960	—	23,000	893,000
1961	200,000	28,000	1,065,000
1962	—	28,000	1,037,000
1963	350,000	28,000	1,359,000
1964	150,000	30,500	1,478,500
1965	—	30,500	1,448,000
1966	—	33,000	1,415,000
1967	—	45,000	1,370,000
1968	300,000	47,500	1,622,500
1969 (through 10/31)	—	56,250	1,566,250

6. DESCRIPTION OF CAPITAL STOCK

Classes of Stock

Under the Company's Certificate of Incorporation, as amended, the authorized capital stock of the Company at October 31, 1969, included 2,273,250 shares of Preferred Stock, par value $100 per share, of which 1,566,250 shares were issued and outstanding in fourteen series, 2,000,000 shares of Second Preferred Stock, par value $100 per share, of which 1,058,164 shares were issued and outstanding in five series, 10,000,000 shares of Preference Stock, without par value, of which 4,338,284 shares were issued and outstanding as $5.50 Cumulative Convertible Preference Stock, and 100,000,000 shares of Common Stock, par value $5 per share, of which 55,764,591 shares were issued and outstanding.

Characteristics of the Capital Stock

Reference is made to notes 6, 7 and 8 of the Notes to Financial Statements of Tenneco Inc. and Consolidated Subsidiaries beginning on page 43, and to the caption "Description of $5.50 Preference Stock and Common Stock of Tenneco Inc." beginning on page 28 of the attached Prospectus, for a description of the characteristics of the various classes of the Company's capital stock.

7. DIVIDEND RECORD

The following table sets forth the annual dividend payments on the Company's Common Stock over the preceding ten fiscal years, as adjusted to reflect a 50% stock dividend in 1960 and 1% stock distributions in 1962 and 1965. Dividends on the Common Stock have been paid quarterly in the last month of each quarter since 1948.

1959 — $0.91	1965 — $1.04
1960 — $1.01	1966 — $1.17
1961 — $1.10	1967 — $1.22
1962 — $0.98	1968 — $1.28
1963 — $0.99*	1969 — $1.29
1964 — $0.99	

*Plus a dividend in kind of Midwestern Gas Transmission Company Common Stock which had a market value at the date of distribution equivalent to 9.5¢ per share of Common Stock of the Company.

8. SUBSIDIARY COMPANIES

Name of Company and State or Country of Incorporation	Percentage of Outstanding Voting Securities Owned Beneficially by the Company
Davis Manufacturing, Inc. (Kansas)	100%
East Tennessee Natural Gas Company (Tennessee)	90%
Gas Equipment Engineers, Inc. (Tennessee)	100%
EPCO Inc. (Delaware)	100%
Commonwealth Container Corporation (New Jersey)	100%
Eastern Paper Products Co. (New Jersey)	100%
Middlepenn Corporation (Pennsylvania)	100%
Midland Paper Corporation (New Jersey)	100%
Paperboard Sales Inc. (Pennsylvania)	100%
The Eastern Corrugated Container Corporation (New Jersey)	100%
*Toymaster Products Co., Inc. (New Jersey)	100%
Stor Right Products Company, Inc. (New Jersey)	100%
Midwestern Gas Transmission Company (Delaware)	88%
Moorgate Corporation (Delaware)	100%

Name of Company and State or Country of Incorporation	Percentage of Outstanding Voting Securities Owned Beneficially by the Company
Tennessee Gas Supply Company (Delaware)	100%
The Mechanex Corporation (Delaware)	100%
Tenneco Corporation (Delaware)	81%
Blue Flame Gas Corporation (Delaware)	100%
California Almond Orchards, Inc. (California)	100%
Channel Industries Gas Company (Delaware)	100%
Deepsea Ventures Inc. (Delaware)	91%
Direct Oil Corporation (Delaware)	100%
B & M Oil, Inc. (Florida)	100%
Drott Manufacturing Corporation (Wisconsin)	100%
Globe Petroleum Sales, Ltd. (United Kingdom)	100%
Houston National Company (Delaware)	13%
Desarrollo Industrial, S.A. (Mexico)	100%
Houston National Bank (United States)	100%
Tennessee Gas Building Corporation (Delaware)	100%
Ten Ten Travis Corporation (Delaware)	100%
Houston Testing Corporation (Delaware)	85%
KCL Corporation (Delaware)	100%
***J. I. Case Company (Wisconsin)	56%
J. I. Case Credit Corporation (Wisconsin)	100%
Tenneco Australia, Inc. (Delaware)	100%
Walker Manufacturing Company (Delaware)	100%
Walker Marketing Corporation (Wisconsin)	100%
Galt Metal Industries, Limited (Canada)	100%
Boquillas Cattle Company (Arizona)	100%
Victorio Land and Cattle Company (California)	100%
Kern County Land Company (Delaware)	100%
Marlin Drilling Co., Inc. (Delaware)	100%
Mitchell Supreme Fuel Company (Delaware)	100%
Motor-Condensator Compagnie Schloz KG (Germany)	100%
Newport News Shipbuilding and Dry Dock Company (Virginia)	100%
Nuclear and Construction Company (Virginia)	100%
Packaging Corporation of America (Delaware)	100%
Abco Cartage Company (Michigan)	100%
The Corinth & Counce Railroad Company (Mississippi)	52%
Tennessee River Pulp & Paper Company (Delaware)	51%
Petro-Tex Chemical Corporation (Delaware)	50%
Philadelphia Life Insurance Company (Pennsylvania)	24%
San Francisco Life Insurance Company (California)	100%
Tennessee Life Insurance Company (Texas)	100%
Qualitron Aero, Incorporated (California)	100%
Red Diamond Oil, Inc. (Delaware)	80%
Southeastern Analine Co. (Georgia)	100%
Southwest Sprayer and Chemical Company (Texas)	100%
Tenbarco Corporation (Delaware)	100%
Tenneco Angola, Inc. (Delaware)	100%
Tenneco Chemicals, Inc. (Delaware)	100%
**General Foam International Ltd. (New York)	100%
Genset Corporation (New Jersey)	100%
Crown General International, S.A. (Belgium)	100%
Caligen Foam Limited (England)	50%
Fedco Foam International, Inc. (Missouri)	50%
Products Development Corporation (Missouri)	50%
**Pallam Development Corp. (New York)	50%
**Heyden Newport International, S.A. (Switzerland)	100%
Butler Malros Ltd. (England)	100%
Butler Chemicals Limited (England)	100%
Cal/Ink Chemical Co., of Canada, Ltd.	100%
Calink Chemicals (Japan) Ltd.	100%
Leim Chemie G.m.b.H. (Germany)	100%
N.V. Transicol (Netherlands)	100%
Newport Mexicana, S.A. de C.V. (Mexico)	65%
Nuodex (Australia) Pty. Limited	51%
Nuodex Canada Limited	51%
Nuodex France S.A.R.L.	50%
Nuodex Limited (United Kingdom)	50%
Resinera del Tigre S. de R. L. de C. V. (Mexico)	100%

PROSPECTUS

Tenneco Inc.

502,939 Shares

TENNECO INC.

502,939 Shares of $5.50 Cumulative Convertible Preference Stock

Second Supplement to Prospectus Dated September 30, 1969

As of this date Moorgate Corporation has acquired or received tenders covering 2,065,368 shares of Case Common Stock and 125,169 shares of Case Series A Preferred Stock pursuant to the Exchange Offer described in the within Prospectus. Such shares, together with the 55.7% of the Case Common Stock and 56.3% of the Case Series A Preferred Stock owned by subsidiaries of Tenneco Inc. prior to the Exchange Offer, constitute approximately 90% of the outstanding Case Common Stock and 85% of the outstanding Case Series A Preferred Stock.

The Expiration Date of the Exchange Offer has been further extended by Moorgate Corporation to 5:00 P.M., New York Time, on December 5, 1969, at which time the Exchange Offer will expire unless further extended as provided in the within Prospectus.

Dated: November 17, 1969

TENNECO INC.

502,939 Shares of $5.50 Cumulative Convertible Preference Stock

Supplement to Prospectus Dated September 30, 1969

As of this date Moorgate Corporation has acquired or received tenders covering 1,961,490 shares of Case Common Stock and 136,248 shares of Case Series A Preferred Stock pursuant to the Exchange Offer described in the within Prospectus. Such shares, together with the 55.7% of the Case Common Stock and 56.3% of the Case Series A Preferred Stock owned by subsidiaries of Tenneco Inc. prior to the Exchange Offer, constitute more than 88% of the outstanding Case Common Stock and 87% of the outstanding Case Series A Preferred Stock.

The Expiration Date of the Exchange Offer has been extended by Moorgate Corporation to 5:00 P.M., New York Time, on November 14, 1969, at which time the Exchange Offer will expire unless further extended as provided in the within Prospectus.

Dated: November 4, 1969

Stone & Webster Securities Corporation **White, Weld & Co.**

The date of this Prospectus is September 30, 1969.

No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer contained in this Prospectus, and, if given or made, such other information or representations must not be relied upon as having been authorized by Tenneco Inc., Moorgate, Case or any other persons.

This Prospectus is not an offer to sell, or a solicitation of an offer to buy, by any person in any state in which it is unlawful for such person to make such an offer or solicitation.

Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of Tenneco Inc. or its subsidiaries (including Case) since the date hereof.

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IN CONNECTION WITH THE EXCHANGE OFFER, THE DEALER MANAGERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE $5.50 CUMULATIVE CONVERTIBLE PREFERENCE STOCK AND COMMON STOCK OF TENNECO INC. AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS WITH RESPECT TO SUCH PREFERENCE STOCK MAY BE EFFECTED ON THE NEW YORK OR PACIFIC COAST STOCK EXCHANGES, OR OTHERWISE, AND WITH RESPECT TO SUCH COMMON STOCK ON THE NEW YORK, MIDWEST OR PACIFIC COAST STOCK EXCHANGES, OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Until November 9, 1969 all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters.

EXCHANGE OFFER

Moorgate, a wholly owned subsidiary of Tenneco Inc., proposes to acquire all of the outstanding shares of Case Common Stock and Case Series A Preferred Stock not now owned by subsidiaries of Tenneco Inc. At September 8, 1969 subsidiaries of Tenneco Inc. owned 3,356,709 shares of Case Common Stock which represented approximately 56% of the outstanding Case Common Stock, and 247,293 shares of the outstanding Case Series A Preferred Stock which represented approximately 56% of the outstanding Case Series A Preferred Stock. If all of the 2,664,556 shares of Case Common Stock and 192,174 shares of Case Series A Preferred Stock which are outstanding (and held by others than the subsidiaries of Tenneco Inc.) are acquired pursuant to the Exchange Offer, Moorgate will deliver a maximum of 502,939 shares of $5.50 Preference Stock.

Terms of Offer

Moorgate hereby offers shares of $5.50 Preference Stock of Tenneco Inc. in exchange for shares of Case Common Stock and shares of Case Series A Preferred Stock at the rate of .17 of a share of $5.50 Preference Stock for each share of Case Common Stock and .26 of a share of $5.50 Preference Stock for each share of Case Series A Preferred Stock. Such offer is being made on the terms and conditions hereinafter set forth and is hereinafter referred to as the "Exchange Offer".

Expiration Date

The Exchange Offer will expire on October 31, 1969, at 5:00 P.M., New York Time (the "Expiration Date"), unless extended, in which case the Expiration Date shall be at that time on the date to which the Exchange Offer is last extended.

How to Exchange

Stockholders of Case who desire to accept the Exchange Offer may tender their shares by depositing their certificates for Case Common Stock or Case Series A Preferred Stock, as the case may be, together with a duly completed Exchange Form provided for that purpose, on or prior to the Expiration Date, with the following Exchange Agent:

Houston National Bank
P. O. Box 2518
Houston, Texas 77001

or with either of the following Forwarding Agents:

Morgan Guaranty Trust Company of New York
Corporate Trust Department
23 Wall Street
New York, New York 10015

Wells Fargo Bank, N. A.
415 West Fifth Street
Los Angeles, California 90054

Shares will be deemed timely tendered if (a) a properly executed Exchange Form, accompanied by stock certificates, has been deposited on or prior to the Expiration Date with the Exchange Agent or any Forwarding Agent; or (b) the Exchange Agent shall (i) have received from a commercial bank or trust company in the United States, or a member firm of the New York or American Stock Exchange or member of the National Association of Securities Dealers, Inc., on or prior to the Expiration Date, a letter or telegram giving the name of the tendering holder and the number of shares tendered and guaranteeing delivery of the tendered shares (in which case, subject to subsequent compliance with clause (ii) below, the shares to which the letter or telegram relates shall be deemed properly tendered as of the date of receipt of the letter or telegram) and (ii) thereafter in fact have received the Exchange Form and tendered certificates within 14 business days after the date of such letter or telegram. Any irregularities in connection with the tender of shares must be cured within such time as Moorgate shall determine, unless waived by Moorgate in its sole discretion.

Additional copies of the Exchange Form and of this Prospectus may be obtained from the Exchange Agent or either Forwarding Agent.

Moorgate Acceptance of Tenders

Moorgate will accept for exchange any and all shares of Case Common Stock and Case Series A Preferred Stock properly deposited with the Exchange Agent or any Forwarding Agent on or prior to the Expiration Date. Certificates for shares of $5.50 Preference Stock will be delivered from time to time by the Exchange Agent to the depositing stockholders of Case entitled thereto as soon as practicable after their Case shares have been deposited.

The shares of $5.50 Preference Stock to be delivered pursuant to the Exchange Offer will be issued as of the date of receipt by the Exchange Agent of the shares of Case Common Stock or Case Series A Preferred Stock, as the case may be, deposited in exchange therefor (or of the letter or telegram referred to under "Exchange Offer — How to Exchange") and, if issued as of a date on or prior to the record date for any dividend on the $5.50 Preference Stock, will participate in such dividend. Any certificates for Case securities deposited with a Forwarding Agent on or prior to a record date for the $5.50 Preference Stock will be delivered to the Exchange Agent on or prior to said date.

Any record holder of Case Series A Preferred Stock who tenders shares of such stock prior to October 17, 1969, the dividend record date for such stock, will receive the dividend paid to holders of record on that date.

Fractional Shares

No fractional shares of $5.50 Preference Stock will be issued in connection with the Exchange Offer. Any Case stockholder who deposits a number of shares of Case stock which would entitle him to a fractional share of $5.50 Preference Stock will have the option either to sell his interest in such fractional share of $5.50 Preference Stock or to purchase an interest sufficient to entitle him to one additional full share. Such depositing stockholder may exercise this option by appropriate instructions on the Exchange Form by which Case securities are tendered. In the absence of instructions to the contrary a depositing stockholder will be deemed to have requested a sale of his interest in such fractional share. The Exchange Agent may offset buy and sell orders, and the execution of orders which cannot be offset will be subject to the ability of the Exchange Agent to consummate such orders. Charges or credits upon purchase and sales of fractional shares, including offset orders, on each day will be based on current market prices of the $5.50 Preference Stock.

Tax Consequences

A holder of Case Common Stock or Case Series A Preferred Stock, as the case may be, who exchanges his shares pursuant to the Exchange Offer will realize a gain or a loss, as the case may be, depending on whether such holder's tax cost of the particular shares is less or more than the fair market value of the $5.50 Preference Stock issued in exchange (together with any sums received for fractional shares), which gain or loss will be recognized for federal income tax purposes. If the holder would have realized capital gain or loss on sale of shares of Case exchanged, his gain or loss on the exchange for shares of $5.50 Preference Stock will be capital gain or loss.

Expenses

Moorgate will pay all expenses in connection with the Exchange Offer, including any transfer taxes, except transfer taxes, if any, incident to the issuance of $5.50 Preference Stock in a name other than that of a registered owner of deposited Case Common Stock and Case Series A Preferred Stock.

Possible Delisting of Case Securities

The Case Common Stock and Case Series A Preferred Stock are presently listed on the New York Stock Exchange. The New York Stock Exchange may delist the Case Common Stock and Case Series A Preferred Stock in the event they fail to meet the listing requirements of such Exchange following completion of the Exchange Offer by reason of the limited number of remaining public shareholders, the aggregate market value of shares held by such shareholders, or otherwise.

Arrangements with Securities Dealers

Stone & Webster Securities Corporation, 90 Broad Street, New York, N. Y. 10004, and White, Weld & Co., 20 Broad Street, New York, N. Y. 10005, as Dealer Managers, have entered into an agree-

ment with Moorgate and Tenneco Inc. whereby they have agreed to use their best efforts to form and manage a group of securities dealers ("Soliciting Dealers"), including the Dealer Managers, to solicit tenders under the Exchange Offer and to assist shareholders of Case in tendering their shares. Each Soliciting Dealer must execute a Soliciting Dealer Agreement with the Dealer Manager and must be named in the Exchange Form to be eligible to receive payment of the fees set forth on the cover page of this Prospectus for exchanges effected through the assistance of such Soliciting Dealer.

Moorgate will also pay the Dealer Managers the fees set forth on the cover page of this Prospectus as compensation for their services as Dealer Managers, and all expenses incurred by the Dealer Managers. It may be that the Soliciting Dealers, including the Dealer Managers, and Georgeson & Co. are underwriters within the meaning of the Securities Act of 1933. Moorgate and Tenneco Inc. have agreed to indemnify the Dealer Managers, Georgeson & Co. and the Soliciting Dealers against certain civil liabilities, including certain liabilities under the Securities Act of 1933.

Moorgate, at its expense, may request brokers and banks to forward to persons for whom they hold Case Common Stock and Case Series A Preferred Stock copies of this Prospectus, the Exchange Form and the letter from Moorgate to Case shareholders regarding the Exchange Offer.

COMPARATIVE EARNINGS, DIVIDENDS, MARKET PRICES AND BOOK VALUES PER SHARE

Earnings and Dividends

The following table sets forth the earnings and dividends per share of the indicated Case securities for the year ended October 31, 1968 and the pro forma comparison of such information as if the exchange pursuant to this Exchange Offer (as well as the conversion of the $5.50 Preference Stock offered hereby into Tenneco Inc. Common Stock) had occurred at the beginning of Tenneco Inc.'s fiscal year ended December 31, 1968.

Per Share — Case Common Stock	Earnings Before Extraordinary Items	Dividends
Case Common Stock	$ .22	None
Pro forma after exchange for .17 share Tenneco Inc. $5.50 Preference Stock pursuant to this Exchange Offer	Not Applicable	$ .94
Pro forma after conversion of .17 share Tenneco Inc. $5.50 Preference Stock into .612 (.17 x 3.6) share of Tenneco Inc. Common Stock	$1.21	$ .78
Per Share — Case Series A Preferred Stock		
Case Series A Preferred Stock	Not Applicable	$1.44
Pro forma after exchange for .26 share Tenneco Inc. $5.50 Preference Stock pursuant to this Exchange Offer	Not Applicable	$1.43
Pro forma after conversion of .26 share Tenneco Inc. $5.50 Preference Stock into .936 (.26 x 3.6) share of Tenneco Inc. Common Stock	$1.85	$1.20

The above table is based on fully diluted per share earnings of Tenneco Inc. Common Stock of $1.98 for the most recent fiscal year (assuming conversion or exercise of all applicable securities) and on the $1.28 dividends per share paid by Tenneco Inc. in 1968 on its Common Stock and the $5.50 dividends per share paid on the $5.50 Preference Stock.

During the first nine months of their respective 1969 fiscal years, Case and Tenneco Inc. have continued their 1968 dividend policies.

Market Prices

There are set forth below (as reported by The National Quotation Bureau) high and low sales prices on the New York Stock Exchange of Case Common Stock, Case Series A Preferred Stock, and Tenneco Inc. Common Stock and, in the case of \$5.50 Preference Stock, the high and low over-the-counter bid prices for the quarter ended December 31, 1967, and New York Stock Exchange sales prices thereafter. Also set forth are the adjusted high and low sales prices of the fractions of Tenneco Inc. Common Stock and \$5.50 Preference Stock equivalent to one share of Case Common Stock and Case Series A Preferred Stock exchanged pursuant to this Exchange Offer:

	Tenneco Inc. \$5.50 Preference Stock		Tenneco Inc. Common Stock	
	High	Low	High	Low
Quarter Ended				
1967				
December 31	\$104	\$ 91½	\$31⅛	\$26
1968				
March 31	99⅝	93⅜	28⅞	24⅝
June 30	103¾	94	30¼	25¼
September 30	107	101¾	29⅞	26¼
December 31	119	103¾	32¾	27¼
1969				
March 31	115½	99¾	31¾	27⅜
June 30	109¼	97¾	29¾	26⅝
September 30 (through September 10)	100½	93½	27⅜	24½

	Case Common Stock		.17 Share of Tenneco Inc. \$5.50 Preference Stock		.612 Share of Tenneco Inc. Common Stock	
	High	Low	High	Low	High	Low
Quarter Ended						
1967						
December 31	\$22	\$14¾	\$17.68	\$15.56	\$19.05	\$15.91
1968						
March 31	18⅛	13¼	16.94	15.87	17.67	15.07
June 30	20¼	13¾	17.64	15.98	18.51	15.45
September 30	20⅜	14½	18.19	17.30	18.28	16.07
December 31	23⅜	19⅝	20.23	17.64	20.04	16.68

	Case Common Stock		.17 Share of Tenneco Inc. $5.50 Preference Stock		.612 Share of Tenneco Inc. Common Stock	
	High	Low	High	Low	High	Low
1969						
March 31	$21⅛	$16⅞	$19.64	$16.96	$19.43	$16.75
June 30	22⅛	14¾	18.57	16.62	18.21	16.29
September 30 (through September 10)	15⅜	12¼	17.09	15.90	16.75	14.99

On September 24, 1969 the closing price on the New York Stock Exchange for the Case Common Stock was $14⅞. On such date the closing price on the New York Stock Exchange for the $5.50 Preference Stock was $90½ or $15.39 for .17 of a share, and the closing price of the Tenneco Inc. Common Stock was $23⅞ or $14.61 for .612 of a share.

	Case Series A Preferred Stock		.26 Share of Tenneco Inc. $5.50 Preference Stock		.936 Share of Tenneco Inc. Common Stock	
	High	Low	High	Low	High	Low
Quarter Ended						
1967						
December 31	$27½	$21¼	$27.04	$23.79	$29.13	$24.34
1968						
March 31	25	21⅝	25.90	24.28	27.03	23.05
June 30	24½	22	26.98	24.44	28.31	23.63
September 30	25	22¼	27.82	26.46	27.96	24.57
December 31	28	25	30.94	26.98	30.65	25.51
1969						
March 31	26⅝	23⅛	30.03	25.94	29.72	25.62
June 30	27	22	28.41	25.42	27.85	24.92
September 30 (through September 10)	23⅜	20¾	26.13	24.31	25.62	22.93

On September 23, 1969, the closing price on the New York Stock Exchange for the Case Series A Preferred Stock was $22⅞. On such date the closing price of the $5.50 Preference Stock was $90½ or $23.53 for .26 of a share and the closing price of the Tenneco Inc. Common Stock was $23⅞ or $22.35 for .936 of a share.

Book Values

At June 30, 1969, the aggregate book value of the Case Common Stock was $102,704,000 or $17.38 per share and the aggregate book value of the Common Stock of Tenneco Inc. was $998,610,000 or $18.13 per share. Assuming full conversion or exercise of all applicable securities, the pro forma book value of Tenneco Inc. Common Stock would have been $16.27 per share. Such book value was equivalent to $9.96 per .612 share of Tenneco Inc. Common Stock, the pro forma amount attributable to one share of Case Common Stock and $15.23 per .936 share of Tenneco Inc. Common Stock, the pro forma amount attributable to one share of Case Series A Preferred Stock.

TENNECO INC.

Tenneco Inc. (which is sometimes hereinafter called the "Company"), a Delaware corporation, succeeded by consolidation in 1947 to the business of a predecessor corporation. Tenneco Inc. and certain of its subsidiaries own and operate natural gas transmission systems. In addition, Tenneco Inc. owns all of the outstanding common stock of Tenneco Corporation, a Delaware corporation, incorporated in 1954. The assets of Tenneco Corporation consist of stock of a number of corporations engaged in oil and gas, chemicals, packaging, land use and development, manufacturing and other businesses.

CONSOLIDATED CAPITALIZATION OF TENNECO INC.

The capitalization of Tenneco Inc. and its consolidated subsidiaries at June 30, 1969, and after giving effect to (1) the sale of the Bonds offered in September, 1969 and (2) 100% acceptance of the Exchange Offer is as follows:

	Outstanding	Adjusted As Set Forth Above
Interest Bearing Long-Term Debt		
Tenneco Inc.:		
First Mortgage Pipe Line Bonds —		
3%-7%; Due 1970-1988 (Note 1)	$ 463,928,000	$ 463,928,000
Bonds offered in September, 1969	—	50,000,000
Debentures —		
4%-6½%; Due 1974-1987 (Note 1)	587,864,000	587,864,000
Consolidated Subsidiaries (Notes 2 and 9):		
First Mortgage Pipe Line Bonds and Other Mortgage Bonds —		
5⅜%-5¾%; Due 1977-1984	67,899,114	67,899,114
Debentures, Subordinated Debentures and Long-Term Notes —		
3½%-8%; Due 1969-2007	645,377,656	645,377,656
Total long-term debt	$1,765,068,770	$1,815,068,770
Less — Amounts due within one year	73,412,051	73,412,051
	$1,691,656,719	$1,741,656,719
Noninterest Bearing Purchase Obligations (Note 3):		
Tenneco Inc.	$ 74,619,540	$ 74,619,540
Consolidated Subsidiaries	43,343,750	43,343,750
	$ 117,963,290	$ 117,963,290
Less — Amounts due within one year	8,291,060	8,291,060
	$ 109,672,230	$ 109,672,230
Outside Stockholders' Interest in Subsidiaries (Note 4)	$ 145,358,159	$ 96,251,674
Stockholders' Equity:		
Preferred Stock, par value $100 per share, authorized 2,297,000 shares, issued and outstanding 1,590,000 shares (Note 5)	$ 157,058,700	$ 157,058,700
Second Preferred Stock, par value $100 per share, authorized 2,000,000 shares, issued and outstanding 1,105,525 shares with conversion provisions (Note 6)	110,552,500	110,552,500
Preference Stock, without par value, authorized 10,000,000 shares, issued and outstanding 4,339,900 shares of the $5.50 Cumulative Convertible series, stated value $25 per share, liquidating value $433,990,000 (Note 6)	108,497,500	108,497,500
Common Stock, par value $5 per share, authorized 100,000,000 shares, issued and outstanding 55,571,138 shares (Note 6)	277,855,690	277,855,690
Premium on capital stock and other capital surplus	304,028,735	304,028,735
Retained earnings	446,439,229	446,439,229
Less — 479,516 shares of Common Stock held by a subsidiary, at cost	11,929,592	11,929,592
Total stockholders' equity	$1,392,502,762	$1,392,502,762

NOTES:

(1) Additional bonds in one or more series may be issued under the mortgage securing the bonds subject to the restrictions contained therein. As long as any bonds of the presently authorized series remain outstanding, the total principal amount of bonds which may be issued and outstanding at any one time under such mortgage is $750,000,000. The indentures under which Tenneco Inc.'s bonds and debentures are issued contain provisions which under certain circumstances may accelerate the sinking fund payments for such bonds and debentures.

(2) Reference is made to Note 3 to the Financial Statements of Tenneco Inc. for further information with respect to the long-term debt of the consolidated subsidiaries.

(3) Tenneco Inc. and certain subsidiary companies have purchased leasehold interests relating primarily to proven gas reserves in the Ship Shoal Area and Bastian Bay Field, Louisiana. For further information with respect to these acquisitions of producing oil and gas leaseholds and the current status of such acquisitions, reference is made to the subcaption "Gas Supply" under the caption "Natural Gas Transmission" and Note 4 to the Financial Statements of Tenneco Inc.

(4) At June 30, 1969, the outside stockholders' interest in subsidiaries consisted of $23,225,000 in preferred stock issued by subsidiary companies, $59,963,888 in second preferred stock issued by subsidiary companies and $62,169,271 in common stock and retained earnings of subsidiaries.

(5) At June 30, 1969, 19,413 shares of Preferred Stock were held by Tenneco Inc. for sinking funds. Reference is made to Note 6 to the Financial Statements of Tenneco Inc.

(6) At June 30, 1969, 28,062,297 shares of Tenneco Inc. Common Stock were reserved for issuance upon conversion or exchange of Tenneco Inc. and Tenneco Corporation securities, upon exercise of warrants, stock options and shares contingently issuable depending on future earnings of certain acquired companies. For further information with respect to such reservation of shares and conversion and exchange features, reference is made to Notes 6 and 7 to the Financial Statements of Tenneco Inc.

(7) A Credit Agreement between Tenneco Inc., Tenneco Corporation and a group of banks provides for short-term bank loans not to exceed $100,000,000 to be outstanding at any one time, in which Tenneco Corporation may participate in an amount not to exceed $50,000,000. At the date of this Prospectus there were no loans to Tenneco Inc. outstanding under such agreement. Tenneco Inc.'s Gas Storage Credit Agreement permits borrowings in the aggregate of $6,000,000 at any one time outstanding. At June 30, 1969 there were loans to Tenneco Inc. amounting to $140,000 under such agreement. Tenneco Corporation, Tenneco Oil Company, KCL Corporation, J. I. Case Company, Walker Manufacturing Company and Newport News Shipbuilding and Dry Dock Company have revolving credit agreements with groups of banks providing for short-term loans not to exceed $115,000,000, $9,500,000, $10,000,000, $45,300,000, $7,735,000 and $31,000,000 respectively to be outstanding at any one time. At the date of this Prospectus there were loans to Tenneco Corporation amounting to $70,000,000 outstanding under one of its revolving credit agreements. Subsequent to the date of this Prospectus there may be additional borrowings under such credit agreements. The interest rates for all such loans are the lenders' prime commercial rates for unsecured loans at the time of each borrowing.

(8) In August, 1969, in connection with a purchase of $5.50 Preference Stock from non-affiliated parties, Moorgate borrowed $44,392,360 pursuant to a short-term bank loan.

(9) In July, 1969, Tenneco Corporation sold its investments in certain consolidated subsidiaries to Houston National Company, an unconsolidated affiliate, in exchange for convertible debentures of Houston National Company. Such consolidated subsidiaries had outstanding at June 30, 1969 $37,243,172 in long-term debt. In September, 1969, a consolidated subsidiary borrowed 50,000,000 Deutschmarks (equivalent to approximately $12,500,000 at the exchange rate then in effect) at an annual interest rate of 8%, payable over a term of ten years.

At June 30, 1969, Tenneco Corporation had outstanding 140,250 shares of 6% First Preferred Stock and 55,000 shares of 5¾% First Preferred Stock, the latter being owned by Tenneco Inc., and 2,000,000 shares of $1.60 Cumulative Second Preferred Stock, of which Tenneco Inc. held 10,225 shares. Midwestern Gas Transmission Company had outstanding 92,000 shares of 5½% Preferred Stock. For further information as to the capitalization of the consolidated subsidiaries of Tenneco Inc. at June 30, 1969, reference is made to Notes 3, 4, 6 and 7 to the Financial Statements of Tenneco Inc.

As of June 30, 1969, warrants for the purchase of an aggregate of 465,334 shares of common stock of Midwestern Gas Transmission Company were outstanding, of which warrants for the purchase of 240,000 shares were owned by Tenneco Inc. and warrants for the purchase of 225,334 shares were outstanding in the hands of the public. These warrants are exercisable through December 31, 1973, at a price of $15 per share, subject to adjustment under certain conditions.

Interest and dividend requirements for the twelve-month period commencing July 1, 1969, as adjusted to give effect to applicable sinking funds and maturities are as follows:

	Tenneco Inc.	Consolidated Subsidiaries
Long-term debt interest	$54,339,456(1)	$39,460,501(2)
Preferred Stock dividends	8,450,313	1,620,094(3)
Second Preferred Stock dividends	5,832,010	3,460,371
Preference Stock dividends	23,869,450	—

NOTES:

(1) $57,789,456 after giving effect to the sale of the Bonds offered in September, 1969.

(2) $40,274,390 after giving effect to the borrowing of 50,000,000 Deutschmarks in September, 1969.

(3) Of which $308,344 are dividends on preferred stock of subsidiaries held by Tenneco Inc.

STATEMENT OF CONSOLIDATED INCOME OF TENNECO INC. (Note A)

A comparative statement of consolidated income of Tenneco Inc. and consolidated subsidiaries for the fi years ended December 31, 1968, and the six months ended June 30, 1968 and 1969, is presented in the tabulatio below. The information set forth below under this caption has been examined by Arthur Andersen & C independent public accountants, as set forth in their report appearing elsewhere in this Prospectus (which based in part on the report of other auditors). Said report also comments on the change in 1967 to an accept alternative method of accounting for deferred income taxes as explained in Note B. This statement and th related notes thereto should be read in conjunction with such report and the financial statements of Tenneco In and related notes also included elsewhere herein.

(Expressed in thousands)

	Year Ended December 31,					Six Months Ended June 30,	
	1964	1965	1966	1967	1968	1968	1969
Income:							
Net sales —							
Machinery, equipment and shipbuilding	$ 227,397	$ 379,755	$ 432,136	$ 454,993	$ 579,467	$ 246,583	$ 402,59
Chemicals	117,958	178,284	215,832	222,478	241,808	119,411	126,28
Packaging	176,019	192,300	219,579	220,576	238,785	116,304	127,74
Refined products	171,039	181,342	185,602	204,244	236,095	122,162	126,09
Land use	37,832	40,684	48,044	46,848	36,734	19,532	13,03
Purchased crude oil and other	42,705	48,252	60,365	55,599	85,962	41,732	48,53
Operating revenues —							
Pipeline gas sales and transportation	402,759	421,969	449,677	468,462	515,324	261,646	274,55
Produced crude oil, condensate and gas	82,384	86,340	88,950	96,658	96,930	48,616	49,93
Other	21,123	24,632	24,643	33,437	32,374	14,496	14,43
	$1,279,216	$1,553,558	$1,724,828	$1,803,295	$2,063,479	$ 990,482	$1,183,21
Other income (net) —							
Equity in net income of majority-owned unconsolidated subsidiaries	$ 2,999	$ 4,404	$ 4,414	$ 5,694	$ 4,385	$ 2,898	$ 2,24
Cash dividends received from affiliated companies	1,752	1,745	2,032	3,224	2,307	2,024	1,40
Amortization of investment in subsidiaries in excess of net assets at date of acquisition	(2,078)	(4,135)	(4,639)	(2,176)	(1,737)	(868)	(93
Provision for possible loss on investments	(4,500)	(3,000)	(1,200)	(600)	(2,100)	(300)	(90
Interest and other nonoperating income	13,586	18,040	17,336	22,746	35,501	12,340	16,65
	$ 11,759	$ 17,054	$ 17,943	$ 28,888	$ 38,356	$ 16,094	$ 18,47
	$1,290,975	$1,570,612	$1,742,771	$1,832,183	$2,101,835	$1,006,576	$1,201,68
Costs and Expenses (Note B):							
Cost of sales (exclusive of depreciation shown below)	$ 603,468	$ 787,681	$ 891,280	$ 931,452	$1,092,332	$ 510,476	$ 659,33
Operating expenses	287,405	304,425	328,071	349,745	377,917	190,563	198,53
Selling, general and administrative	95,593	138,956	150,247	168,501	199,618	97,326	111,93
Depreciation, depletion and amortization	104,311	116,315	131,359	143,627	155,212	77,281	84,25
Interest —							
On long-term debt	58,999	66,249	70,615	76,885	84,898	40,537	48,45
Other	4,704	6,031	8,159	14,203	13,707	7,469	6,49
Charged to construction	(8,063)	(9,127)	(9,489)	(9,910)	(14,263)	(5,290)	(6,95
Federal income taxes —							
Current before investment tax credit	29,035	28,982	28,066	18,087	45,294	23,653	28,52
Investment tax credit	(5,165)	(2,945)	(2,607)	(3,900)	(15,800)	(6,983)	(13,30
Deferred	5,962	5,225	5,139	(390)	324	(699)	1,46
	$1,176,249	$1,441,792	$1,600,840	$1,688,300	$1,939,239	$ 934,333	$1,118,75

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(Expressed in thousands)

	Year Ended December 31,					Six Months Ended June 30,	
	1964	1965	1966	1967	1968	1968	1969
Income Before Equity in Undistributed Earnings of 50% Owned Companies, Outside Stockholders' Interest and Extraordinary Items	$ 114,726	$ 128,820	$ 141,931	$ 143,883	$ 162,596	$ 72,243	$ 82,923
Equity in Undistributed Earnings of 50% Owned Companies	1,319	1,991	3,414	3,128	3,342	1,598	1,366
Income Before Outside Stockholders' Interest and Extraordinary Items	$ 116,045	$ 130,811	$ 145,345	$ 147,011	$ 165,938	$ 73,841	$ 84,289
Outside Stockholders' Interest in Subsidiaries' Net Income:							
Preferred stock							
J. I. Case Company	$ 515	$ 259	$ —	$ 210	$ 277	$ 138	$ 138
Other	1,540	1,540	1,540	3,793	4,618	2,310	2,269
Common stock							
J. I. Case Company	2,699	4,865	6,171	420	1,174	506	173
Other	2,919	2,670	2,642	3,306	2,525	1,564	728
	$ 7,673	$ 9,334	$ 10,353	$ 7,729	$ 8,594	$ 4,518	$ 3,308
Income Before Extraordinary Items	$ 108,372	$ 121,477	$ 134,992	$ 139,282	$ 157,344	$ 69,323	$ 80,981
Extraordinary Items:							
Gain on sale of Fibreboard Corporation warrants ($11,158), less write-down of Moonie Field, Australia properties to estimated salvage value ($5,656) and abandonment of domestic plant facilities applicable to discontinued operations ($5,604), net of tax effect ($327)	$ —	$ —	$ —	$ —	$ —	$ —	$ 225
Gain on sale of investment in Watkins-Johnson Company ($53,871), less loss on certain foreign investments ($32,732), primarily Nigeria, net of tax effect ($11,552)	—	—	—	—	9,587	9,587	—
	$ —	$ —	$ —	$ —	$ 9,587	$ 9,587	$ 225
Net Income	$ 108,372	$ 121,477	$ 134,992	$ 139,282	$ 166,931	$ 78,910	$ 81,206
Preferred and Preference Stock Dividends:							
Preferred and convertible second preferred stock outstanding	$ 11,932	$ 12,015	$ 16,772	$ 16,014	$ 15,920	$ 7,819	$ 7,557
$5.50 cumulative convertible preference stock requirements	23,819	23,792	23,768	23,816	23,845	11,922	11,931
	$ 35,751	$ 35,807	$ 40,540	$ 39,830	$ 39,765	$ 19,741	$ 19,488
Net Income To Common Stock	$ 72,621	$ 85,670	$ 94,452	$ 99,452	$ 127,166	$ 59,169	$ 61,718
Average Number of Shares of Common Stock Outstanding	49,518,217	50,336,791	50,277,461	50,914,886	53,156,178	52,732,596	54,609,681
Earnings Per Share of Common Stock (Note C):							
Average shares outstanding —							
Income before extraordinary items	$1.47	$1.70	$1.88	$1.95	$2.21	$ .94	$1.13
Extraordinary items, net of tax	—	—	—	—	.18	.18	—
Net income	$1.47	$1.70	$1.88	$1.95	$2.39	$1.12	$1.13
Fully diluted, assuming conversion or exercise of all applicable securities —							
Income before extraordinary items	$1.47	$1.64	$1.76	$1.81	$1.98	$ .88	$1.00
Extraordinary items, net of tax	—	—	—	—	.12	.12	—
Net income	$1.47	$1.64	$1.76	$1.81	$2.10	$1.00	$1.00
Dividends Per Share of Common Stock (Note C):							
Cash	$ .99	$1.04	$1.17	$1.22	$1.28	$ .64	$ .64
Stock	—	1%	—	—	—	—	—

( ) Denotes deduction.

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NOTES:

(A) The consolidated financial statements include all majority-owned subsidiaries other than inactive companies, life insurance and finance subsidiaries.

On September 4, 1968, the plan of merger between Tenneco Corporation, a subsidiary, and Newport News Shipbuilding and Dry Dock Company was consummated. Pursuant to the terms of the merger, Tenneco Corporation acquired all of the outstanding common stock of Newport News in exchange for 852,810 shares of Tenneco Inc. common stock which it held and $102,338,000 principal amount of its 7% Debentures. This transaction was accounted for as a purchase and, accordingly, the results of operations of Newport News have been included in the financial statements since the date of acquisition. Operating revenues of Newport News amounted to $97,521,696 from date of acquisition to December 31, 1968, and $132,319,059 for the six months ended June 30, 1969.

In 1965, all of the assets and liabilities of Packaging Corporation of America were acquired in exchange for 4,679,546 shares of Tenneco Inc. common stock. In 1966, Tenneco Corporation, a subsidiary, acquired the assets and liabilities of several chemical and packaging companies in exchange for 756,548 shares of Tenneco Inc. common stock. In 1967, the assets and liabilities of General Foam Corporation were acquired in exchange for 704,566 shares of Tenneco Inc. common stock. Also in 1967, the business and assets of Kern County Land Company were acquired, subject to its liabilities, in exchange for 4,332,093 shares of Tenneco Inc.'s $5.50 Cumulative Convertible Preference Stock. In 1968, the assets and liabilities of several manufacturing and packaging companies were acquired in exchange for 698,013 shares of Tenneco Inc. common stock. The financial statements for prior periods have been restated to reflect such transactions in accordance with the pooling-of-interests principle of accounting.

With respect to litigation in connection with the Kern County Land Company acquisition reference is made to the caption "Litigation — Tenneco Inc."

(B) For all years reported prior to 1967, the amount of federal income taxes currently deferred because of using liberalized depreciation for federal income tax purposes was charged to income and credited to a reserve for deferred federal income taxes. Since 1967, the pipeline companies regulated by the Federal Power Commission have adopted the flow-through method of accounting for the current tax reduction resulting from the use of liberalized depreciation for federal income tax purposes, pursuant to orders by the Commission, and began amortizing the balance of the prior years' deferred taxes over a period of 13 years from January 1, 1967 (annual amortization of $3,370,000). The companies' gas sales rates were concurrently reduced to give effect to this change in accounting. The subsidiary companies not regulated by the Federal Power Commission continued to follow deferred tax accounting for the current income tax reduction resulting from the use of liberalized depreciation for tax purposes, and such reserves will be charged with the increase in income taxes payable in future years as a result of using these tax deductions currently.

Substantial amounts of the costs incurred in exploration for and development of oil and gas reserves, which are capitalized for financial purposes as discussed in Note 9 to the financial statements, are deducted as incurred for tax purposes.

The investment tax credit, other than that attributed to the sale of production payments which has been deferred and is being amortized over the life of such production payments, has been recorded on the flow-through method of accounting whereby the benefit of such credit is currently reflected in the income statement. The total consolidated investment tax credit so utilized and reflected for the years 1964, 1965, 1966, 1967 and 1968 and the six months ended June 30, 1968 and 1969 was $5,165,200, $2,944,600, $2,606,800, $3,900,000, $15,800,000, $6,983,200 and $13,300,000, respectively. Based on the average shares of common stock outstanding for the applicable periods, such amounts per share were 10¢, 6¢, 5¢, 8¢, 30¢, 13¢ and 24¢ respectively. At June 30, 1969, the companies' unused investment tax credit aggregated approximately $13,200,000 and an additional $4,200,000 was deferred and will be amortized over the remaining life of the production payments.

(C) Earnings per share are based on the average number of shares outstanding during each period adjusted to reflect shares issued in connection with pooling-of-interests and stock dividends. Earnings per share computations assuming full dilution additionally include the average common shares issuable for convertible or exchangeable securities, stock options and warrants and the elimination of the related dividend and interest requirements, less applicable federal income taxes. Dividends per share are reflected at annual rates adjusted for a 1% common stock dividend in January 1965.

The Congress has under consideration changes in existing federal income tax laws, including those relating to elimination of the investment tax credit and a reduction of the percentage depletion rate applicable to oil and gas production. The Company is unable to state what effect such legislation in the form in which it may be finally enacted, may have upon its business.

NATURAL GAS TRANSMISSION

Tenneco Inc., through its pipeline division, Tennessee Gas Pipeline Company, sells gas to, or transports gas for, transmission and distribution companies for resale under long-term contracts principally in the eastern United States. Its multiple-line natural gas transmission system begins in gas producing areas of Texas and Louisiana, including the continental shelf of the Gulf of Mexico, and extends into the northeastern section of the United States and includes underground gas storage areas in Pennsylvania and New York to permit increased winter deliveries of gas in eastern markets, including the New York City metropolitan area. At June 30, 1969, the system included 12,600 miles of pipelines, gathering lines and sales laterals, together with related facilities including 57 compressor stations having an aggregate of 1,081,435 horsepower. The design delivery capacity of the system at June 30, 1969 was approximately 3,462,000 MCF* of gas per day and approximately 4,175,500 MCF on peak days including withdrawal of gas from underground storage.

The annual volumes of gas stated in MCF sold and transported for others by Tenneco Inc. (including amounts sold to subsidiaries) during the past five years are set forth below:

Period	Sold	Transported for Others	Total	Daily Average
1964	941,182,919	166,492,510	1,107,675,429	3,026,436
1965	982,291,112	138,226,634	1,120,517,746	3,069,912
1966	1,032,558,449	135,851,580	1,168,410,029	3,201,123
1967	1,089,065,645	144,046,470	1,233,112,115	3,378,389
1968	1,188,344,541	173,208,940	1,361,553,481	3,720,091
Twelve months ended June 30, 1969	1,223,055,982	216,157,643	1,439,213,625	3,943,051

The principal nonaffiliated customers are the companies comprising the systems of The Columbia Gas System, Inc., Consolidated Natural Gas Company and National Fuel Gas Company, which in the aggregate accounted for approximately 45% of Tenneco Inc.'s deliveries of gas during the twelve months ended June 30, 1969.

Midwestern Gas Transmission Company, 88% of the common stock of which was owned by Tenneco Inc. at June 30, 1969, owns and operates two pipeline systems aggregating 915 miles with a total design delivery capacity of approximately 935,600 MCF of gas per day and a total of approximately 981,600 MCF on peak days including withdrawals from underground storage. Midwestern's southern system connects with the Tenneco Inc. pipeline near Portland, Tennessee and extends 364 miles to the Chicago metropolitan area. The northern system connects with the Trans-Canada Pipe Lines Limited pipeline system near Noyes, Minnesota, and extends 551 miles to Marshfield, Wisconsin. Average daily sales of gas from both systems during the twelve months ended June 30, 1969 aggregated approximately 854,349 MCF, of which approximately 545,817 MCF per day was purchased from Tenneco Inc.

East Tennessee Natural Gas Company, a 90% owned subsidiary of Tenneco Inc. at June 30, 1969, owns and operates a 995 mile pipeline system in Tennessee and Virginia, which is connected with the Tenneco Inc. system. East Tennessee serves at wholesale portions of central and eastern Tennessee and southwestern Virginia. Its average daily sales during the twelve months ended June 30, 1969 were approximately 200,117 MCF of gas, all of which was purchased from Tenneco Inc.

Gas Sales Contracts

Almost all of Tenneco Inc.'s sales of natural gas are made under long-term contracts with transmission and utility companies for resale to their customers. Such contracts are generally made for a term of twenty years. The majority of the present gas sales contracts expire during the period from

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* Unless otherwise indicated all volumes of natural gas stated herein are expressed at a pressure base of 14.73 p.s.i.a.

1985 to 1988. The majority of Tenneco Inc.'s deliveries and sales are made under transportation and contracted demand contracts pursuant to which Tenneco Inc. is obligated to be ready to transport or deliver specified daily quantities of natural gas and under which customers are required to pay a demand charge based upon the contract quantity and a commodity charge based on the actual volume of gas purchased or transported. Under such contracts the minimum monthly payment may not be less than the demand charge plus 66⅔% of the commodity charge for the contract quantity on a monthly basis. A substantial part of Tenneco Inc.'s sales are made under requirements contracts under which Tenneco Inc. is obligated to furnish an amount of gas equal to the customers' requirements up to a specified daily maximum amount.

Gas Supply

Tenneco Inc., as of June 30, 1969, obtained its natural gas requirements for its pipeline system principally under 547 gas purchase contracts in force with producers in 194 fields in Texas, 90 fields in Louisiana and one field in Mississippi. The majority of the present gas purchase contracts expire during the period from 1975 to 1982. The prices paid for gas vary from contract to contract depending, among other things, upon the location of the field from which the gas is purchased. Most of the contracts provide for increases at designated intervals in the prices to be paid for gas; generally the contracts provide for an increase of one cent per MCF during each interval. The average price paid for gas during the twelve months ended June 30, 1969 (including applicable production taxes) was 18.80¢ per MCF.

In 1960, Tenneco Inc. purchased interests in certain gas and oil leases in the Bastian Bay Field, Louisiana, for which it paid $9,427,104 and executed noninterest-bearing notes aggregating $150,036,396 due in annual amounts over a period of 17 years. At June 30, 1969, $74,619,540 of such noninterest-bearing notes were outstanding. Tenneco Inc. has engaged in extensive developmental work on the Bastian Bay leases, and has been taking gas into its pipeline system since February, 1961, from the Bastian Bay leases through facilities constructed pursuant to a general authorization granted to Tenneco Inc. by the Federal Power Commission for the construction of gathering lines. In 1965 it was held that construction of the connecting facilities and sale of the leases, including the purchase price, required the specific authorization of the Federal Power Commission. Tenneco Inc. has applied for authorization of such connecting facilities, but is unable to state what ultimate disposition will be made of these proceedings, including the sale of the interests to Tenneco Inc. and the agreed price.

In another similar arrangement, which also was held to require specific Federal Power Commission authorization, subsidiaries of Tenneco Inc. purchased oil and gas reserves in the Ship Shoal area off the coast of Louisiana for a total purchase price of $97,333,332. In May, 1968, a settlement was entered into with the sellers under which the original price was reduced to $53,989,583, all of which has now been paid. Such settlement is now pending with, and is subject to approval of, the Federal Power Commission.

Report of Ralph E. Davis Associates, Inc.

Ralph E. Davis Associates, Inc. has made a study of the natural gas reserves available for the Tenneco Inc. pipeline system as of April 1, 1969. The report, which refers to the Tennessee Gas Pipeline Company division of Tenneco Inc. as "Tennessee", concludes as follows:

> "Based upon our studies, we estimate that Tennessee controls as of April 1, 1969, under all contracts, a total of 18,627 billion standard cubic feet of gas at a pressure measuring base of 14.73 psia and a temperature measuring base of 60 degrees Fahrenheit. Such reserves are found in 294 fields and include 488 billion cubic feet of transportation gas. Also included are gas reserves totaling approximately 1,310 billion cubic feet which are controlled by Tennessee under arrangements for the acquisition of gas properties and 42 billion cubic feet which are contracted by Tennessee but are pending final Federal Power Commission authorization to connect.

"New contracts and the renewal of old contracts, some of which are in process of being completed, will continue to add to the gas supply available to Tennessee. Under favorable economic conditions continued discoveries of important gas supplies may be confidently expected in the Gulf Coast Region.

"From our studies of the proved natural gas reserves controlled by Tennessee, as well as other proved reserves in the general area of Texas and Louisiana through which Tennessee's pipeline extends, the potentialities for gas production in such area and the present and probable future demands on such gas supply, it is our judgment that Tennessee will be able to command, in competition with others requiring large volumes of gas, a supply adequate to meet the authorized requirements for a period of approximately 25 years.

"The future availability of gas to Tennessee, as estimated above, presumes conditions in the future which will permit interstate pipeline companies to secure gas in competition with other buyers."

The 1,310 billion cubic feet of gas indicated in the Davis Report as being controlled by Tenneco Inc. are reserves attributable to the Bastian Bay and Ship Shoal leases (referred to above in this subcaption).

Estimated daily average input requirements on the basis of system capacity at the date of the Davis Report were 3,450 million cubic feet of gas. On such basis, the gas reserves attributed to Tenneco Inc. in the Davis Report would be sufficient for estimated pipeline system requirements for approximately 14.8 years.

Pipeline Expansion Program

Tenneco Inc. has been authorized by the Federal Power Commission to construct various facilities estimated at June 30, 1969, to cost $52,190,500 to complete. Facilities to be completed include 70.5 miles of pipeline, 36,785 compressor horsepower and 35.6 miles of various sized gathering lines estimated to cost $33,571,200 to complete and 117.3 miles of various diameter pipelines off the shore of Louisiana, estimated to cost $18,619,300 to complete, to connect gas reserves which are owned and have been developed by Tenneco Inc.

Tenneco Inc. has applied to the Federal Power Commission for authorization to construct facilities consisting of 19.7 miles of various diameter gathering lines estimated to cost $5,172,500.

Tenneco Inc. expects to obtain additional funds for the completion of such facilities from its general funds, from short-term borrowings and from the sale of securities in amounts and at times not now determinable.

Natural Gas Act

Tenneco Inc. is a "natural gas company" as defined in the Natural Gas Act of 1938, as amended. As such, Tenneco Inc. is subject to the jurisdiction of the Federal Power Commission under said Act. Tenneco Inc.'s natural gas sales from its pipeline system are in interstate commerce and made at rates approved by and in other respects subject to the jurisdiction of the Commission under said Act. East Tennessee Natural Gas Company, Midwestern Gas Transmission Company and certain subsidiaries of Tenneco Corporation are also "natural gas companies" under said Act.

The Natural Gas Act, among other things, provides that every natural gas company must obtain a certificate of public convenience and necessity to engage in the transportation or sale of natural gas in interstate commerce, to which certificate the Commission may attach such reasonable terms and conditions as the public convenience and necessity may require; that the rates and charges of a natural gas company, and rules and regulations pertaining thereto, must be just and reasonable; that rates charged by any natural gas company may be suspended or reduced by order of the Commission and that the Commission may investigate and determine the actual legitimate cost of the property

of every natural gas company, the depreciation thereon, and, when found necessary for rate-making purposes, other facts which bear on the determination of such cost or depreciation and the fair value of such property. The Act further provides that no natural gas company may extend or abandon any of its facilities or service without prior approval of the Commission, and that the Commission may prescribe a system of accounts to be kept by each natural gas company, may determine rates of depreciation and amortization for each natural gas company, may require annual, periodic or special reports and may determine the adequacy or inadequacy of the gas reserves held or controlled by any natural gas company, or by anyone on behalf of a natural gas company. The Act extends to any holder of a certificate of public convenience and necessity the right of eminent domain for the acquisition of pipeline rights-of-way, compressor station sites and other necessary lands. The foregoing summary of certain provisions of the Act does not purport to be complete and reference is made to the Act for a complete statement of the terms thereof.

The area served by the pipeline systems is also served by other gas pipelines. Some of the customers of such systems own or control natural gas reserves. Natural gas is sold in competition with other fuels, and any substantial decrease in the price of competing fuels or increase in the price of natural gas, or any substantial decrease in the volume of industrial production may have the effect of reducing the demand for natural gas. Tenneco Inc. is unable to state what effect seasonal and other factors, including the development of additional alternate sources of energy, may have on future deliveries by Tenneco Inc. and its pipeline subsidiaries.

Property

Substantially all of the gas transmission properties of Tenneco Inc. and its pipeline subsidiaries are subject to the liens of mortgages securing first mortgage pipeline bonds of the respective companies, and parts thereof are or may be subject to defects and encumbrances permitted by the terms of such mortgages, and in certain cases to defects and encumbrances and to easements and reservations held by others.

Tenneco Inc. believes that its pipelines and related plants and equipment, and those of its pipeline subsidiaries, substantially all of which are fully utilized in their operations, are well maintained and in good operating condition. They are considered adequate for present needs and as supplemented by planned construction are expected to remain adequate for the near future.

PETROLEUM

Tenneco Oil Company is engaged as an integrated enterprise in exploration for, and production, processing, refining and marketing of, petroleum and petroleum products. All phases of the oil business in which Tenneco Oil is engaged are highly competitive. On the North American Continent, Tenneco Oil has oil and gas production interests in 14 states in the United States, primarily in the Gulf Coast, Pacific Coast, Mid-Continent, and Rocky Mountain areas, and in the three western provinces in Canada. Tenneco Oil has engaged in exploration, development and production of oil in a number of foreign countries. At the present time, Tenneco Oil owns interests in Australian and Venezuelan oil production and engages in exploration for oil in Argentina, Australia, Indonesia, Ethiopia, Thailand, South Africa, Guatemala, Nigeria, Saudi Arabia, Dominican Republic, Malagasy Republic and The Netherlands.

Tenneco Oil owns and operates a refinery near New Orleans with a daily capacity of 90,000 barrels of crude oil and one at Denver with a daily capacity of 12,000 barrels. Tenneco Oil also produces natural gasoline and other liquids extracted from natural gas. Refined products are marketed by Tenneco Oil and by independent distributors principally in the southeastern states, in the Rocky Mountain area and along the Atlantic Seaboard.

Tenneco Oil distributes refined oil products and petrochemicals in the United Kingdom and Western Europe.

Operating Statistics. The following table sets forth certain information with respect to the oil and gas exploration, production, refining and marketing activities of Tenneco Oil for the periods set forth below:

	1964	1965	1966	1967	1968	Six Months Ended June 30, 1969
Net at End of Period						
Acres (Producing)	495,984	478,974	528,944	531,194	587,430	591,526
Oil Wells	2,907	2,904	2,720	2,722	2,548	2,631
Gas Wells	567	590	644	650	756	668
Drilling Activity — Net Participation Development Wells						
Oil Wells	126	122	120	90	74	29
Gas Wells	30	39	66	42	19	7
Dry Holes	43	55	47	62	38	14
Total	199	216	233	194	131	50
Drilling Activity — Net Participation Wildcat Wells						
Oil Wells	15	10	8	3	2	2
Gas Wells	7	4	5	4	2	—
Dry Holes	93	94	93	76	28	15
Total	115	108	106	83	32	17
Production — Net Daily Average						
Oil and Condensate (Barrels)						
USA and Canada	54,903(1)	58,764(1)	64,917(1)	70,892(1)	75,120(1)	78,135(1)
International	15,667(2)	13,949(2)	7,203	6,054	6,422	4,431
Total	70,570(3)	72,713(3)	72,120(3)	76,946(3)	81,542(3)	82,566(3)
Plant Products (Barrels)	12,118	12,041	12,045	11,579	9,450	11,760
Natural Gas (MCF)	262,721(1)	302,000(1)	309,482(1)	324,221(1)	312,837(1)	320,827(1)
Refinery Crude Runs (Barrels — Daily Average)	60,606	63,107	64,597	75,239	86,851	90,229
Refined Products Sales (Barrels — Daily Average)	78,489	85,150	83,987	91,277	96,983	106,522
Plant Products Sales (Barrels — Daily Average)	33,198	31,432	33,265	33,102	33,580	38,216

NOTES:

(1) Net of the interest of others but including for the years 1964, 1965, 1966, 1967, 1968 and six months ended June 30, 1969, respectively, 15,249, 21,410, 21,198, 36,225, 28,383 and 32,132 barrels, and 63,612, 122,460, 115,416, 170,331, 110,250 and 107,155 MCF, per day attributable to production payments sold to others.

(2) In December 1965, Tenneco Oil entered into a settlement with the oil agency of the Argentine Government and discontinued at that time its operations in that country; international production figures through 1965 include Argentine production. Discontinuance of those operations accounts for substantially all of the decline in international production in 1966. In 1968, Tenneco Oil commenced new exploration activities in Argentina.

(3) In addition, Tenneco Oil produced in the years 1964, 1965, 1966, 1967, 1968, and six months ended June 30, 1969, approximately 2,357, 3,687, 4,710, 4,232, 4,933 and 5,062 barrels of condensate per day, respectively, for the account of Tenneco Inc. from leases owned by Tenneco Inc. and operated for its account by Tenneco Oil. For further information relating to the transfer of certain of these leases from Tenneco Inc. to Tenneco Oil, reference is made to Note 11 to the Financial Statements.

Reserves. As of December 31, 1968, Tenneco Oil estimates that its net proved oil, gas and other liquid hydrocarbon reserves (including royalty interests) were as follows:

	Oil Condensate and Other Liquids (Barrels)	Gas (MMCF)
United States Producing	216,867,627	1,611,865
Canadian	60,813,755	653,844
Natural Gas Liquids	16,695,535	6,289
Total	294,376,917	2,271,998
Less Volume attributable to Production Payment Obligations, including reserves necessary to pay operating costs of such production payments	25,481,636	157,168
Total	268,895,281	2,114,830
International Producing:		
Australia	1,897,188(1)	—
Venezuela	11,836,308	—
Total International Producing	13,733,496	—
Total	282,628,777	2,114,830

NOTE:

(1) As a result of recent studies Australian reserves have been reduced by 2,448,823 barrels effective December 31, 1968.

Tenneco Oil has included in the foregoing table secondary recovery and pressure maintenance reserves from existing projects. The reserves of Tenneco Oil are considered substantially developed by present wells.

The reserve figures for Australia are net of landowners' royalty and overriding royalty but do not include any provision for a reserved 20% net profits interest (half of which must be borne by Tenneco Oil's interest).

Regulation. Sales of natural gas in interstate commerce are subject to regulation by the Federal Power Commission.

All the states in which Tenneco Oil produces gas and oil or owns interests in producing properties have statutory provisions for the regulation of the production of oil and natural gas. The regulations relate to the drilling of wells, the spacing of wells, the prevention of waste, the conservation of natural gas and oil, and various other matters. The regulations generally impose restrictions on the production of crude oil and natural gas in certain areas by reducing the rate of flow from individual wells below their actual capacity to produce. The regulated rate of flow is subject to change from time to time.

The operations of Tenneco Oil as a lessee from the United States in the Gulf of Mexico are subject to regulation by the United States Department of Interior under the Outer Continental Shelf Lands Act. Department of Interior regulations impose absolute liability upon lessees for cost of clean-up of pollution resulting from a lessee's operations.

CHEMICALS

Tenneco Chemicals, Inc. and its subsidiaries ("Tenneco Chemicals") are engaged in the manufacture and sale of various chemicals, petrochemicals, and products manufactured therefrom. Tenneco

Chemicals owns and operates 23 major plants and several smaller plants and research facilities located in 19 states. Tenneco Chemicals also owns interests in various foreign corporations, and certain of its products are manufactured and sold abroad under license arrangements.

The products manufactured and sold and the divisions and subsidiaries of Tenneco Chemicals are generally classified into the following groups:

Organic Chemicals, Naval Stores and Specialties. Heyden Division produces organic chemical intermediates, agricultural chemicals and other functional synthetic organic chemicals, with major plants in New Jersey. The Newport Division produces naval stores and derivatives therefrom, with major plants in Alabama, Florida and Louisiana. Nuodex Division manufactures special purpose chemical intermediates, with major plants in California, Maryland and New Jersey.

Colors and Inks. The Tenneco Colors and Cal/Ink Divisions manufacture dyestuffs, pigments, printing inks, colors and related chemicals, with plants in California, Illinois, New Jersey, Pennsylvania and South Carolina.

Plastics. Tenneco Plastics Division is a manufacturer of vinyl chloride polymer, copolymer and plastisol resins. General Foam Division is an integrated manufacturer and processor of urethane foam. American Plastics Division is a custom fabricator of plastics. Tenneco Advanced Materials Inc. is a manufacturer of polyvinyl chloride sheet and film. Nixon-Baldwin Division produces a wide range of rigid vinyl and cellulose acetate film and sheeting and other shapes. Production facilities of the Plastics Group are located primarily in the northeastern United States.

Petrochemicals. Tenneco Hydrocarbon Chemicals Division operates plants on the Houston Ship Channel, and is engaged in the manufacture of vinyl chloride monomer (most of which is sold to Tenneco Plastics Division). It also owns and operates a plant for the production of anhydrous ammonia, which produces annually approximately 200,000 tons of ammonia, most of which is sold under long-term contract, and operates a methanol plant which currently produces 80,000,000 gallons of methanol per year.

Tenneco Chemicals maintains research and development activities at 13 research laboratories at plant sites in the United States, and long range basic research at Piscataway, N. J. All of the products produced by Tenneco Chemicals are subject to intense competition from other manufacturers and from alternative products of others.

Petro-Tex Chemical Corporation, a 50% owned affiliate of Tenneco Corporation, owns and operates a plant in Houston, Texas, which has an annual capacity of approximately 250,000 short tons of butadiene, a principal ingredient in the manufacture of synthetic rubber. Petro-Tex produces approximately 15% of the butadiene produced and used in the United States, and also produces maleic anhydride and olefin chemicals.

PACKAGING

The principal products manufactured and sold by Packaging Corporation of America ("Packaging") include paperboard, corrugated and solid fibre containers, cartons, molded pulp products and other packaging products. Its container products are used principally in the packaging of food, paper and paper products, metal products, rubber and plastics, automotive products, and point of purchase displays. Its cartons are used principally in the packaging of soap and detergents, food products and beverages, and a wide range of consumer goods. Molded pulp products are supplied for packaging of eggs and apples and other fruits, transfer plates for the baking industry and prepackaging trays for meats, fruits and vegetables used in self-service markets. During the year 1968, approximately 48% of Packaging's sales were derived from corrugated and solid fibre containers, 19% from cartons, 28% from paperboard mill products, and the balance principally from molded pulp products.

Packaging has 16 paperboard machines at nine locations, with an estimated aggregate annual capacity of 635,475 tons. Shipments from such locations during the year 1968 were 613,937 tons, and for the six months ended June 30, 1969 were 374,502 tons.

Packaging obtains its raw materials from independent logging contractors, from the operation of seven reclaimed paper stock collecting and processing plants and from other sources. Packaging owns, leases or has cutting rights over approximately 235,000 acres of Michigan forest land. Packaging has experienced no difficulty in obtaining adequate supplies of raw materials for its operations, principally pulpwood, reclaimed paper stock and special pulps for blending, and anticipates that adequate supplies will continue to be available.

Packaging's 31 corrugated and solid fibre container plants made shipments for the year 1968 of approximately 5.8 billion square feet, and for the six months ended June 30, 1969 were 3.5 billion square feet. Its nine carton plants made shipments during the year 1968 totaling 101,510 tons, and for the same six month period were 61,100 tons. It also has four molded pulp product plants which shipped 34,434 tons during the year 1968, and 18,680 tons for the first six months of 1969. Packaging's plants are located primarily in the Middle West.

In December, 1968, a wholly owned subsidiary of Tenneco Inc. acquired the stock of The Eastern Corrugated Container Corporation and its seven affiliated companies. The principal business of The Eastern Corrugated Container Corporation and its affiliated companies is the manufacture and sale of corrugated containers. Shipments from their four plants during the year 1968 were approximately 863 million square feet, and 486.5 million square feet in the first six months of 1969.

Packaging owns approximately 51% of the outstanding capital stock of Tennessee River Pulp & Paper Company. The principal business of Tennessee River Pulp & Paper is the production of kraft liner board which is sold to its three owner companies. Its kraft liner board mill at Counce, Tennessee has an estimated annual capacity of 266,250 tons; production for the year 1968 was 248,125 tons, and for the first six months of 1969 was 135,445 tons. Tennessee River Pulp & Paper owns, leases or has cutting rights over approximately 301,000 acres of timberland in Alabama, Mississippi and Tennessee which provide a source of pulpwood for the mill.

Packaging faces competition from many companies and alternative materials.

LAND USE AND DEVELOPMENT

The following table summarizes the land holdings of Kern County Land Company ("Kern") at June 30, 1969:

	Owned Acres	Leased Acres	Total Acres
California	362,843	53,584	416,427
Arizona	603,986	500,571	1,104,557
New Mexico	224,311	3,185	227,496
Wyoming	550	5,841	6,391
Minnesota	—	7,344	7,344
Total	1,191,690	570,525	1,762,215

At June 30, 1969, Kern had approximately 120,163 net acres devoted to irrigated farm lands. Of this acreage, approximately 26,555 acres were farmed by Kern and the balance was farmed by independent farmers under leases from Kern. Most of these irrigated farm lands have been upgraded from grazing lands in a continuing program which commenced in the 1940's. The acreage in Arizona and New Mexico and a portion of the acreage in California consists of grazing land devoted to cattle ranching. Kern and its subsidiaries have substantial water rights on the Kern River and an extensive canal system which serves Kern's lands and certain lands of others.

Kern and certain subsidiary and affiliated companies are engaged in development of commercial, industrial and residential properties in Bakersfield and Santa Monica, California.

MANUFACTURING AND SHIPBUILDING

J. I. Case Company. Tenneco Corporation and one of its subsidiaries own an aggregate of 56% of the voting stock of J. I. Case Company. For further information relating to such Company and its subsidiaries, reference is made to the caption "J. I. Case Company".

Walker Manufacturing Company. Walker Manufacturing Company ("Walker") manufactures exhaust system parts, jacks, and oil, air and gasoline filters. The replacement market (largely exhaust system parts) accounts for approximately three-fourths of Walker's total domestic sales. Filters and exhaust systems are also sold to the original equipment market (car, truck and tractor manufacturers). The automotive parts business is highly competitive. Walker and its subsidiaries own facilities for manufacturing, distribution or both in Iowa, Michigan, Virginia, Wisconsin and Ontario. Major leased facilities are located in Illinois, Iowa, Mississippi, Tennessee, Ontario and Northern Ireland.

Allied with the operations of Walker are two other subsidiaries. One is The Mechanex Corporation of Englewood, Colorado, which manufactures parts for the trucking industry, including wheel oil seals, valve stem locks, electronic speedometers, tachometers, and wheel magnets. The other is Motor Condensator Company Schloz KG, with plant facilities at Mannheim and Viernheim in West Germany. Motor Condensator is a manufacturer of automotive mufflers, pulleys, plastic fans, manifolds, oil pans and a variety of related parts for car, truck and bus applications, sold principally to new vehicle manufacturers in West Germany.

Newport News Shipbuilding and Dry Dock Company. Newport News Shipbuilding and Dry Dock Company, which is one of the largest shipbuilding companies in the United States, is engaged in the business of constructing various types of Naval and merchant vessels, converting, repairing and reconditioning ships and refueling nuclear vessels. It also manufactures hydraulic turbines and other equipment for hydro-electric plants and a variety of other specialized machinery, equipment and heavy castings.

OTHER BUSINESS INTERESTS OF TENNECO INC.

Tenneco Corporation owns approximately 24% of the outstanding stock of Philadelphia Life Insurance Company, a Pennsylvania stock life insurance company, which together with its subsidiaries, San Francisco Life Insurance Company and Tennessee Life Insurance Company, has approximately $3.2 billion of insurance in force. Philadelphia Life and its subsidiaries operate in 28 states and the District of Columbia.

Tenneco Corporation owns approximately 40% of the outstanding stock, including 13% of the outstanding voting stock, of Houston National Company. Houston National Bank, a subsidiary of Houston National Company, conducts a general banking and trust business, and at June 30, 1969, had deposits totaling approximately $253 million and capitalization of approximately $22 million. Houston National Bank and Tennessee Gas Building Corporation, another subsidiary of Houston National Company, own the 33-story Tenneco Building in Houston, which is used primarily as a home office building for Tenneco Inc. and its subsidiaries. Ten Ten Travis Corporation, also a subsidiary of Houston National Company, owns and operates the seven-story Oil and Gas Building, an 1,850 car public parking garage and a parking lot, a city block in area, all located in downtown Houston and operates the Tenneco Building and the Chamber of Commerce Building also in Houston, Texas.

Tenneco Inc. believes that the plants and equipment of the subsidiaries of Tenneco Corporation, substantially all of which are fully utilized in their operations, are in general well maintained and in good operating condition. They are considered adequate for present needs and as supplemented by planned construction are expected to remain adequate for the near future.

Tenneco Inc. is of the opinion that the subsidiaries of Tenneco Corporation have generally satisfactory title to the properties owned and used by such subsidiaries in their respective businesses, subject to liens for current taxes, liens incident to operating agreements and minor encumbrances, and easements and restrictions which do not materially detract from the value of such property or the interests of the subsidiaries therein or the use of such properties in such businesses. In the case of oil and gas leases, definitive examination and curing of title defects is deferred until such time as funds are expended in connection with drilling and development of such properties. Certain of the properties of the subsidiaries are subject to mortgage liens, and a substantial portion of the producing properties are subject to production payments.

CONTRIBUTIONS OF MAJOR BUSINESSES OF TENNECO INC.

The following table summarizes by each major business of Tenneco Inc. for the years 1967 and 1968 revenues and income before interest, federal income taxes, outside stockholders' interest and extraordinary items. While the significance of the results shown in the table is materially affected by stating income before interest expense and federal income taxes, in the opinion of Tenneco Inc. it is impracticable to allocate such interest expense or taxes in a manner which will fairly reflect the contributions of such major businesses to its net income. Interest expense amounted in the aggregate to $81,178,000 in 1967 and $84,342,000 in 1968 and federal income taxes amounted in the aggregate to $13,797,000 in 1967 and $29,818,000 in 1968.

	(Expressed in thousands)			
	Operating and Nonoperating Revenues		Income before interest, federal income taxes, outside stockholders' interest and extraordinary items	
	1967	1968	1967	1968
Natural Gas Transmission	$ 482,533	$ 532,012	$109,577	$118,581
Petroleum	374,489	433,096	49,172	54,101
Chemicals	222,093	241,516	22,302	22,758
Packaging	221,478	240,338	20,410	22,455
Land Use and Other Real Estate	69,268	64,701	4,910	14,639
Manufacturing and Shipbuilding	465,182	589,519	25,266	37,294
Investments	12,956	16,715	10,349	10,271
Intergroup Sales	(12,688)	(12,720)	—	—
Total	$1,835,311	$2,105,177	$241,986	$280,099

MANAGEMENT OF TENNECO INC.

The directors and executive officers of Tenneco Inc. are as follows:

Directors

Gardiner Symonds*, Chairman
Simon Askin*, Vice Chairman
Sydney T. Ellis*, Vice Chairman
Herbert Allen
Stephen D. Bechtel, Jr.
W. D. P. Carey
N. W. Freeman*
Joseph B. Hall
Charles W. Hamilton
Henry U. Harris, Jr.
Donald A. Holden
H. Malcolm Lovett*
Earl Rudder*
D. J. Russell
Wilton E. Scott*

* Member of the Executive Committee.

Officers

Name	Office	Name	Office
Gardiner Symonds	Chairman of the Board	M. H. Covey	Vice President and Secretary
Simon Askin	Vice Chairman of the Board	H. E. Daniels	Vice President
		Gilbert M. Fitzgerald	Vice President
Sydney T. Ellis	Vice Chairman of the Board	E. W. Hopkins	Vice President
		L. F. Lee	Vice President
N. W. Freeman	President	C. B. Lilly	Vice President
R. E. McGee	Executive Vice President	Tracy S. Park, Jr.	Vice President
		D. L. Peters	Vice President
W. Duke Walser	Executive Vice President	E. P. Priebe	Vice President
		W. C. Sandy	Vice President
S. F. Allison	Senior Vice President	C. S. Taylor, Jr.	Vice President and Associate Counsel
S. J. Spitz, Jr.	Senior Vice President		
Wilton E. Scott	Senior Vice President	Stanley Ward	Vice President
O. H. Simonds, Jr.	Senior Vice President	C. C. Webb	Vice President
		Stone Wells	Vice President
L. C. Ackerman	Vice President	Anthony Zuma	Vice President
Arthur R. Broadman	Vice President	Ben S. Campbell	Treasurer
W. M. Carpenter	Vice President	Donald H. Campbell	Controller

Each of the executive officers of Tenneco Inc. has been continuously engaged in the business of Tenneco Inc., its subsidiaries, affiliates or predecessor companies during the past five years except that Mr. Freeman was engaged as a consultant to Tenneco Inc. from 1961 to 1964, and Mr. Park served with the United States Agency for International Development in Thailand from 1962 to 1966.

At July 31, 1969, certain of the officers and directors were the beneficial owners of equity securities of Tenneco Inc. and various subsidiaries or affiliates of Tenneco Inc., but in no case did the aggregate of such shares as to any one company exceed approximately 1% of an outstanding class of equity securities of any such company.

During 1968, the aggregate remuneration paid by Tenneco Inc. and its subsidiaries directly or indirectly to (a) each director and each of the three highest paid officers of Tenneco Inc. whose remuneration exceeded $30,000, and (b) all directors and officers as a group, was as follows:

Name of individual or identity of group	Capacities in which remuneration was received	Direct payments (fees, salaries and amounts paid under Incentive Compensation Plan)	Retirement and similar payments
Gardiner Symonds	Chairman of the Board	$ 189,100	$ 33,973
Simon Askin	Vice Chairman of the Board	$ 126,794	$ 20,191
N. W. Freeman	President, Tenneco Inc.	$ 156,758	$ 31,605
W. D. P. Carey	Chairman of the Executive Committee, Packaging Corporation of America	$ 84,000	$ —

Name of individual or identity of group	Capacities in which remuneration was received	Direct payments (fees, salaries and amounts paid under Incentive Compensation Plan)	Retirement and similar payments
Wilton E. Scott	President, Tenneco Oil Company	$ 113,123	$ 27,098
Cecil C. Johnson	Vice Chairman of the Board to July 1, 1968	$ 55,535	$ 17,288
Dwight M. Cochran	President of Kern County Land Company to May 3, 1968	$ 57,808	$ 12,085
39 directors and officers as a group		$2,032,353	$381,284

The amounts in the right-hand column, above, consist of pension plan payments and Thrift Plan contributions made by the respective companies. Annual pension benefits at retirement date under the Company's pension plans are estimated to be $59,198 for Mr. Symonds, and at their respective normal retirement dates are estimated at $37,932 for Mr. Askin, $18,206 for Mr. Freeman, $32,046 for Mr. Scott, and $631,857 for the officers of the Company as a group. During 1968, Mr. Carey received retirement benefits in the amount of $8,119. Directors who are not officers or employees of the Company or its affiliated companies are not eligible to participate in the pension plans. Mr. Symonds has agreed to remain in the Company's employ at least until December 31, 1970. Mr. Symonds will receive the sum of $75,000 per year for a period of 18¼ years (or until the date of his death should he survive the expiration of such period) commencing January 1 of the year following the year in which he terminates his full-time employment. Such benefits are to be provided by the Company's Retirement Income Plan, supplemented to the extent necessary by payments to provide the aforesaid amount. In the event of Mr. Symonds' death prior to retirement or thereafter prior to expiration of the period referred to above, the Company has agreed to make such annual payments of $75,000 to his beneficiaries for such period. Mr. Freeman has agreed to remain in the Company's employ at least until September 1, 1973 and in the event of his death prior to that date the Company has agreed to pay his wife a monthly income of $5,000 to September 1, 1973. Mr. Askin has agreed to remain in the full-time employment of the Company at least until April 1, 1975, and thereafter for a period of ten years as a consultant and advisor to the Company and its subsidiaries. During the period of full-time employment, Mr. Askin will receive an annual salary of not less than $65,000 and during the consultation period an annual fee of $20,000. In the event Mr. Askin becomes unable to render services to the Company, he will then receive disability compensation at the annual rate of $7,500 until the earlier of (i) the date of his death, or (ii) the date by which the aggregate total of the disability compensation payments plus the consulting fees, if any, paid to him shall equal the aggregate of $200,000. In the event of Mr. Askin's death during the period of full-time employment, the Company will pay to his designee(s) an aggregate total of $200,000; or, if death should occur during the consultation period, the Company will pay an aggregate amount by which $200,000 exceeds the total of the consulting fees paid to Mr. Askin; or, if death should occur while Mr. Askin is on disability status, the Company will pay his designee(s) an aggregate total equal to the amount, if any, by which $200,000 exceeds the sum of (i) the consulting fees, if any, and (ii) the disability compensation payments, if any. Mr. Cochran resigned for reasons of health as of May 3, 1968, and is receiving retirement benefits of approximately $5,000 monthly until May, 1971. Mr. Carey performs consultation services for the Company and its subsidiaries at a rate of $6,500 per month under an agreement which terminates December 31, 1969.

Eligible employees participate in the Company's Thrift Plan and in the Retirement Income Plan or Annuity Plan, depending on date of employment. The Retirement Income and Annuity Plans provide for regular monthly payments to employees upon retirement, based on years of employment and pay rates. The cost of these plans is borne by the Company. The Thrift Plan provides for accumulation of savings in amounts ranging from 2% to 8% of eligible employees' salaries or wages, as

elected by the employee, which amounts are matched by the Company and deposited in a trust and invested as directed by the employee. For persons employed on or after January 1, 1963, the maximum allowable contribution to the Thrift Plan is 2% for the first 3 years of participation, thereafter increasing at the rate of 2% for each 2 years of additional participation until the maximum of 8% is reached after 7 years of participation. Under the terms of the trust, employees have certain withdrawal rights during individual ten-year cycles after which they may elect to take their entire credit balance out of the trust.

The Company has in effect an Incentive Compensation Plan for executives and key employees of the Company and certain of its subsidiaries, administered by the Salary Committee of the Board of Directors together with the chief executive officer of the Company and the chief executive officer of certain of the Company's principal operating groups. Amounts available for distribution for any year under the Plan are to be not more than 5% of the excess of the earnings of each group for any such year above a base figure to be established by the Salary Committee for each group annually, a portion of which is to be available for staff employees of the Company. There is no commitment to continue the Plan beyond any current year nor is there any commitment to continue the Plan as to any group or groups. Personnel receiving payments under this Plan are selected by the committee and the chief executives referred to above. Directors who are not employees of the Company or a subsidiary are not eligible to participate. Payments under such Plan during 1968 to Messrs. Symonds, Askin, Freeman and Scott (which are included in the amounts shown as direct payments to such individuals in the tabulation of compensation set forth above) amounted to $39,100, $26,794, $32,800 and $13,540, respectively; 28 officers of the Company received an aggregate of $313,089 thereunder. The total amount paid under such Plan in 1968 was $1,133,500 to approximately 400 officers and employees of the Company and its subsidiaries.

A Deferred Compensation Plan is in effect for the Company and its subsidiaries which are at least 50% owned, which is administered by the Salary Committee of the Board of Directors. Determination of the employees selected to participate in this Plan is vested in the Salary Committee. The Plan provides for the creation of a Deferred Compensation Ledger in which there is credited to the account of participants for any calendar year, commencing with the initial year of participation, such amount, if any, as may be awarded for such year to a participant. The aggregate amounts for any participant, together with interest, will be deferred and accumulated until termination of employment. Payment of the total credit balance will be made over a five-year period following termination of the respective participant's employment. The aggregate amount of all deferred compensation awards, which includes amounts awarded in January 1969 for the calendar year 1969, together with accrued interest through December 31, 1968, under this Plan for Messrs. Symonds, Askin, Freeman and Scott is $198,595, $40,300, $100,749 and $20,300, respectively. The total amount which has been awarded, together with accrued interest through December 31, 1968, under such Plan to ten directors and officers of the Company as a group is $455,992.

During 1968, the Company and its subsidiaries paid Cameron Iron Works, Inc., of which Herbert Allen is a director, officer and stockholder, $966,000 under various contracts. During 1968, the Company and its subsidiaries paid to Bechtel Corporation of which Stephen D. Bechtel, Jr. is a director, officer and stockholder, $1,438,000 under various construction contracts. During 1968, the Company and its subsidiaries paid the law firm of Baker, Botts, Shepherd & Coates, of which H. Malcolm Lovett is a partner, $230,000 for legal services.

Employee Relations

At June 30, 1969, Tenneco Inc. and its subsidiaries had in their employ approximately 62,000 persons. Relations with employees are good. Among the more important factors in employee relations are the benefit plans inaugurated and sponsored for the welfare and security of employees and their families. These plans provide for retirement income, augmented personal savings, life insurance and hospitalization.

Prior to April 9, 1965, Tenneco Inc. had a restricted stock option plan which provided for the granting of restricted stock options to officers and key employees of Tenneco Inc. and subsidiaries for the purchase of Common Stock as a part of their employment arrangements. Such plan provided that the option price would be not less than 95% of the fair market value of the Common Stock at the date any such option was granted, and that the options could be exercised at any time within ten years of their dates.

On April 9, 1965, stockholders approved a qualified stock option plan for the granting of options to officers and key employees of Tenneco Inc. and its subsidiaries for up to 500,000 shares of Common Stock at option prices not less than 100% of the fair market value at the date of granting. Such options expire at the end of five years and may be exercised to the extent of 50% of the shares covered thereby after one year from the granting date and in whole or in part at any time after two years from the granting date.

As of August 31, 1969, there were options outstanding for the purchase of an aggregate of 100,987 shares under the restricted plan, expiring at various dates between December 1969, and October 1973, at prices ranging from $19.400 to $23.049 per share, and options outstanding under the qualified plan for the purchase of an aggregate of 284,898 shares, expiring between June 1970, and April 1974, at prices ranging from $19.250 to $28.50 per share. At August 31, 1969, Messrs. Freeman, Askin and Scott held options under the qualified plan expiring between June 1970, and December 1972, for 6,000, 5,000 and 6,000 shares, respectively, as to which the respective average purchase prices per share were $27.375, $27.375 and $21.125. Officers as a group held options at August 31, 1969, for the purchase of an aggregate of 7,652 shares under the restricted plan, expiring in December 1971 at a price of $23.049 per share, and for the purchase of an aggregate of 75,000 shares under the qualified plan, at prices ranging from $19.250 to $28.50 expiring between 1970 and 1974. Directors who are not employees are not eligible to participate under either plan. On September 24, 1969, the closing price for Common Stock of Tenneco Inc. on the New York Stock Exchange was $23⅞ per share. With respect to options previously granted to officers and key employees reference is made to Note 7 to the Financial Statements of Tenneco Inc.

Kern County Land Company, prior to its acquisition by Tenneco Inc., had stock option plans for officers and key employees of Kern and its subsidiaries. The outstanding options have been surrendered and substitute options granted by Tenneco Inc. for the purchase of its $5.50 Cumulative Convertible Preference Stock under new plans. At August 31, 1969, qualified options were outstanding for the purchase of an aggregate of 10,609 shares, expiring at various dates between November 1971 and February 1972, as to which the average purchase price per share was $61.629. At such date two officers of the Company, formerly employees of a subsidiary of Kern County Land Company, owned options for the purchase of an aggregate of 700 shares expiring in February, 1972 as to which the purchase price per share was $60.875. On September 24, 1969, the closing price of the $5.50 Cumulative Convertible Preference Stock on the New York Stock Exchange was $90½ per share. No further options may be granted under such plans.

As of August 31, 1969, officers and employees of J. I. Case Company held options under the qualified stock option plan of Case to purchase an aggregate of 32,000 shares of Case's Common Stock at prices ranging from $18.375 to $19.00 per share. Such options, which are not presently exercisable, expire in March and May, 1974. On September 24, 1969, the closing price of Case's Common Stock on the New York Stock Exchange was $14⅞ per share.

Tenneco Inc. and J. I. Case Company make no accounting entries until such time as the options are exercised. Then the companies record the par value of the stock issued in their respective capital stock accounts with the remainder of the proceeds being credited to premium on capital stock.

LITIGATION — TENNECO INC.

In February, 1969, separate suits for damages were instituted in the United States District Court in San Francisco, California by (i) Occidental Petroleum Corporation, on behalf of itself as a shareholder of former Kern County Land Company at the time that company's assets were acquired by KCL Corporation, a subsidiary of Tenneco Inc. ("KCL"), and by (ii) an individual, on behalf of herself

and all shareholders (other than Occidental Petroleum Corporation) of former Kern County Land Company at such time; both suits are based on an alleged deficiency in the consideration received by such former shareholders for the assets conveyed to KCL. Tenneco Inc., KCL, former Kern County Land Company, and two officers and directors of former Kern County Land Company are named as defendants. Such actions for damages are based upon allegations that the proxy statement of former Kern County Land Company relating to the sale of its assets was misleading and that the business and assets of former Kern County Land Company were not properly evaluated by its officers and directors at the time of sale. The Occidental action asserts a claim for at least $20,000,000, and the individual action asserts claims aggregating at least $160,000,000. The Occidental action has been stayed pending the hearings and determination of certain actions filed by KCL and others in the United States District Court for the Southern District of New York to recover profits realized by Occidental allegedly in violation of Section 16(b) of the Securities Exchange Act of 1934, although it is open to Occidental to amend its pleadings in the New York actions to assert there the claim which it is stayed from prosecuting in California and Occidental has indicated that it will file such amendment. In connection with these proceedings, Tenneco Inc. has agreed to hold former Kern County Land Company and its officers and directors harmless, except as to any liability for fraud or malfeasance. In the opinion of Charles S. Taylor, Jr., Esq., Associate Counsel for Tenneco Inc., the claims of Occidental and the individual shareholders of former Kern County Land Company are without merit and will be successfully defended.

DESCRIPTION OF $5.50 PREFERENCE STOCK AND COMMON STOCK OF TENNECO INC.

The authorized capital stock of Tenneco Inc. as provided in the Certificate of Incorporation, as amended (herein called the "Certificate of Incorporation"), consists of an aggregate of 114,297,000 shares, divided into 2,297,000 shares of Preferred Stock, par value $100 per share (herein called "Preferred Stock"); 2,000,000 shares of Second Preferred Stock, par value $100 per share (herein called "Second Preferred Stock"); 10,000,000 shares of Preference Stock, without par value (herein called "Preference Stock") and 100,000,000 shares of Common Stock, par value $5 per share (herein called "Common Stock"). Shares of Preference Stock of other series in addition to the $5.50 Cumulative Convertible Preference Stock may be issued from time to time, subject to the limitations set forth in the Certificate of Incorporation and in the resolution of the Board of Directors providing for any such series, the terms of additional shares of other series to be set forth in such resolution to the extent permitted by the Certificate of Incorporation. All shares of Preference Stock rank on a parity with respect to dividend and liquidation rights, irrespective of series. The Preference Stock ranks junior to the Preferred Stock and Second Preferred Stock and the Common Stock ranks junior to the Preferred Stock, Second Preferred Stock and Preference Stock in respect of dividends and distribution of assets on liquidation.

The following is a brief description of the terms of the Preference Stock and the Common Stock, a complete statement of which is set forth in the Certificate of Incorporation and in the Certificate of Designation creating the $5.50 Cumulative Convertible series thereof. The Certificate of Incorporation and the Certificate of Designation are exhibits to the Registration Statement and are incorporated by reference herein.

Dividend Rights

Subject to the prior rights of the holders of the Preferred Stock and Second Preferred Stock, the holders of Preference Stock are entitled to receive, when and as declared by the Board of Directors, cumulative preferential dividends in cash at the rate per annum fixed for the respective series, payable quarterly on the last days of March, June, September and December in each year. Dividends are payable on the $5.50 Cumulative Convertible Preference Stock at the rate of $5.50 per year or $1.375 per quarter, and dividends thereon accrue from the date of issuance.

Subject to the prior rights of the holders of the Preferred Stock, Second Preferred Stock, and Preference Stock such dividends as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time out of any funds legally available therefor.

Unless the consent of a majority of each presently outstanding series of Preferred Stock is obtained, (a) the total amounts paid or distributed on stock junior to the Preferred Stock after December 31, 1945 and the total amounts applied to the acquisition of such junior stock after December 31, 1945 may not exceed the sum of Tenneco Inc.'s net income accumulated since December 31, 1945 and available for dividends on such junior stock plus $62,500, and (b) no dividends may be paid on, or acquisitions made of, such junior stock if, after giving effect thereto, the net assets of Tenneco Inc. shall be less than 225% of the par value of the Preferred Stock and any other stock ranking prior to or on a parity with the preferred stock as to dividends or assets then outstanding. The foregoing restrictions do not apply to dividends payable in stock junior to the Preferred Stock, or to the acquisition of such junior stock in exchange for, or out of the proceeds of the issue of, such junior stock, or out of contributions to capital. No such dividend or acquisition need be taken into account in making the above computations.

Unless the consent of a majority of the outstanding Second Preferred Stock is obtained, (a) the total amounts paid or distributed on stock junior to the Second Preferred Stock after December 31, 1945 and the total amounts applied to the acquisition of such junior stock after December 31, 1945 may not exceed the sum of Tenneco Inc.'s net income accumulated since December 31, 1945 and available for dividends on such junior stock, and (b) no dividends may be paid on, or acquisitions made of, such junior stock if, after giving effect thereto, the net assets of Tenneco Inc., after deducting the aggregate par value of the Preferred Stock and any other stock ranking prior to the Second Preferred Stock as to dividends or assets then outstanding, shall be less than 200% of the aggregate par value of the Second Preferred Stock, and any other stock ranking on a parity with the Second Preferred Stock as to dividends or assets then outstanding. The foregoing restrictions do not apply to dividends payable in stock junior to the Second Preferred Stock, or to the acquisition of such junior stock in exchange for, or out of the proceeds of the substantially contemporaneous issue of, such junior stock, or out of contributions to capital. No such dividend or acquisition need be taken into account in making the above computations.

Tenneco Inc. may not acquire for value any shares of Preference Stock or of any other stock ranking on a parity with the Preference Stock as to dividends or assets while dividends on the Preference Stock are in default, without the consent of the holders of at least a majority of the shares of Preference Stock present at an annual meeting or special meeting called for the purpose, provided that at least a majority of the outstanding shares of Preference Stock is present at such meeting.

No dividends whatsoever may be paid on any stock junior to the Preferred Stock as to dividends or assets, nor may any shares of such junior stock be acquired by Tenneco Inc., unless Tenneco Inc. has fully complied with the sinking fund provisions for all outstanding series of Preferred Stock. No dividends may be paid on any stock junior to the Second Preferred Stock, nor may any shares of such junior stock be acquired by Tenneco Inc., unless Tenneco Inc. has fully complied with the applicable sinking fund provisions for all series of Second Preferred Stock. No dividends may be paid on any stock junior to the Preference Stock, nor may any shares of such junior stock be acquired by Tenneco Inc., unless all past and current dividends on the Preference Stock shall have been declared and paid.

So long as any of its presently outstanding First Mortgage Pipe Line Bonds remain outstanding, Tenneco Inc. may not make any payments or distributions on stock junior to the Preferred Stock as to dividends or assets or acquire for a consideration any capital stock if the total amounts paid or distributed on the capital stock of Tenneco Inc. after December 31, 1945 and the total amounts applied to the acquisition of any capital stock of Tenneco Inc. after December 31, 1945 exceed Tenneco Inc.'s net income accumulated since December 31, 1945 available for dividends on capital stock. The foregoing restriction does not apply to dividends payable in stock junior to the Preferred Stock, or to the acquisition of capital stock in exchange for, or out of the proceeds of the issue of, capital stock, or out of contributions to capital. No such dividend or acquisition need be taken into account in making the above computation.

So long as any of its presently outstanding Debentures are outstanding Tenneco Inc. may not declare or pay any dividend or make any other distribution upon its capital stock ranking junior to

its Preferred Stock, or acquire for a consideration any capital stock (excluding from such restriction and from the following calculations dividends paid in junior stock and capital stock purchased, redeemed or otherwise acquired, to the extent that it was so acquired in exchange for or from the proceeds of the substantially concurrent sale of other capital stock or out of capital contributions), if after giving effect thereto (a) the cumulative aggregate amount of all dividends and distributions declared or paid on the capital stock and the amount paid for the acquisition of capital stock subsequent to December 31, 1947, exceeds the aggregate amount of the net income of Tenneco Inc. subsequent to such date, plus $735,000; or (b) the sum of Tenneco Inc.'s capital stock, surplus and premium on capital stock, less the sum of Tenneco Inc.'s investments (other than investments in subsidiaries as defined) as then recorded on the books of Tenneco Inc., is less than 1.4 times the aggregate principal amount of the unsecured funded debt of Tenneco Inc.

So long as any of its presently outstanding Debentures are outstanding, Tenneco Inc. may not declare or pay any dividend or make any other distribution upon, or acquire for a consideration, any of its Common Stock at a time when, after giving effect to such dividend, distribution or acquisition, the outstanding funded debt of Tenneco Inc. shall exceed 70% of its capitalization (excluding from such restriction and from the following calculation dividends paid in Common Stock and Common Stock acquired to the extent that it was so acquired in exchange for or from the proceeds of the substantially concurrent sale of other Common Stock, or out of capital contributions), if after giving effect thereto the cumulative aggregate amount of all dividends and distributions declared or paid on the Common Stock and the amount paid for the acquisition of Common Stock subsequent to December 31, 1947, exceeds 75% of the total of (i) the net income of Tenneco Inc. available for dividends on Common Stock subsequent to such date, and (ii) $735,000.

After giving effect to the restrictions then in effect on the payment of dividends on stock junior to the Second Preferred Stock summarized above, approximately $286,000,000 of consolidated retained earnings was not restricted for payment of dividends on stock junior to the Second Preferred Stock at June 30, 1969.

Voting Rights

Subject to the right of the holders of Preferred Stock to elect a minimum majority of the Board of Directors whenever dividends on the outstanding Preferred Stock are in arrears in an amount equal to six quarterly dividends thereon, and except for such additional voting rights as may be provided for any series of Preferred Stock, Second Preferred Stock or Preference Stock in the resolution of the Board of Directors providing for the issuance thereof (no such provision having been made as to any outstanding series of Preferred or Second Preferred Stock), holders of Second Preferred Stock, $5.50 Cumulative Convertible Preference Stock and Common Stock are entitled to one vote for each share held at all meetings of stockholders. Whenever dividends on the $5.50 Cumulative Convertible Preference Stock are in arrears in an amount equal to six quarterly dividends thereon, holders of the $5.50 Cumulative Convertible Preference Stock have the right to elect two directors until all accrued and unpaid dividends on the $5.50 Cumulative Convertible Preference Stock are paid in full.

Tenneco Inc. is not permitted to amend any of the capital stock provisions of the Certificate of Incorporation so as to affect adversely the rights, powers or preferences of the Preference Stock (other than provisions relating exclusively to a particular series of Preference Stock) without the consent of the holders of at least two-thirds of the outstanding shares of Preference Stock, irrespective of series, and Tenneco Inc. may not amend any of the capital stock provisions of the Certificate of Incorporation or of any resolutions relating exclusively to a particular series of Preference Stock so as to affect adversely the rights, powers or preferences of such series, without the consent of the holders of at least two-thirds of the outstanding shares of such series.

Tenneco Inc. may not, without the affirmative vote of the holders of at least a majority of the outstanding shares of Preference Stock, at an annual meeting or special meeting called for the purpose

(a) create or authorize any additional class of stock ranking prior to the Preference Stock as to dividends or assets, or increase the authorized amount of Preferred Stock, Second Preferred Stock or any other class of stock ranking prior to the Preference Stock as to dividends or assets or create or authorize any obligation or security convertible into shares of Preferred Stock, Second Preferred Stock or shares of stock of any other class ranking prior to the Preference Stock as to dividends or assets, or (b) transfer substantially all its property or business, or consolidate with or merge into any other corporation; this provision, however, does not apply to a merger of another corporation into Tenneco Inc. or to mortgages of property of Tenneco Inc. Shares of Second Preferred Stock which are redeemed, converted or otherwise reacquired by Tenneco Inc. assume the status of authorized but unissued Second Preferred Stock issuable by resolution of the Board of Directors in the same manner as other authorized but unissued Second Preferred Stock.

Tenneco Inc. may not, without the affirmative vote of the holders of at least a majority of the outstanding shares of Preference Stock, (a) create or authorize any class of stock ranking on a parity with the Preference Stock as to dividends or assets, or (b) increase the authorized amount of Preference Stock or of any class of stock ranking on a parity with the Preference Stock as to dividends or assets, or (c) create or authorize any obligation or security convertible into shares of Preference Stock or shares of stock of any class ranking on a parity with the Preference Stock as to dividends or assets.

Liquidation Rights

After payment has been made in full to the holders of the Preferred Stock and Second Preferred Stock, the holders of Preference Stock are entitled to receive, in the event of any voluntary liquidation, the preferential amounts fixed for the respective series ($110 per share until July 1, 1977 and thereafter the then applicable optional redemption price in the case of the $5.50 Cumulative Convertible Preference Stock), and in the event of any involuntary liquidation, $100 per share, plus, in either case, all accrued and unpaid dividends to the date payment is made available.

The Common Stock, in the event of any liquidation, dissolution or winding-up of the affairs of Tenneco Inc., is entitled to receive pro rata the assets of Tenneco Inc. remaining after satisfaction of corporate liabilities and the prior rights of the Preferred Stock, Second Preferred Stock and Preference Stock.

Redemption Provisions of $5.50 Cumulative Convertible Preference Stock

The $5.50 Cumulative Convertible Preference Stock will be redeemable at the option of Tenneco Inc., on or after July 1, 1977, on at least 30 days notice, in whole or in part, at the following redemption prices:

$110 per share if redeemed on or after July 1, 1977 and prior to July 1, 1978; or

$109 per share if redeemed on or after July 1, 1978 and prior to July 1, 1979; or

$108 per share if redeemed on or after July 1, 1979 and prior to July 1, 1980; or

$107 per share if redeemed on or after July 1, 1980 and prior to July 1, 1981; or

$106 per share if redeemed on or after July 1, 1981 and prior to July 1, 1982; or

$105 per share if redeemed on or after July 1, 1982 and prior to July 1, 1983; or

$104 per share if redeemed on or after July 1, 1983 and prior to July 1, 1984; or

$103 per share if redeemed on or after July 1, 1984 and prior to July 1, 1985; or

$102 per share if redeemed on or after July 1, 1985 and prior to July 1, 1986; or

$101 per share if redeemed on or after July 1, 1986 and prior to July 1, 1987; or

$100 per share if redeemed on or after July 1, 1987;

plus in each case accrued and unpaid dividends.

Conversion Provisions of $5.50 Cumulative Convertible Preference Stock

Each share of $5.50 Cumulative Convertible Preference Stock is convertible at the option of the holder at any time or, if such shares shall be called for redemption, at any time prior to the close of business on the fifth day preceding the date fixed for redemption thereof, into 3.6 shares of Common Stock.

The number of shares of Common Stock into which each share of $5.50 Cumulative Convertible Preference Stock may be converted is subject to certain adjustments designed to protect the conversion privilege against dilution. However, no adjustment is required to be made in connection with the issuance of additional shares of $5.50 Cumulative Convertible Preference Stock, or the issuance of shares of Common Stock on conversion of presently issued and outstanding shares of Second Preferred Stock or on the conversion of the $5.50 Cumulative Convertible Preference Stock or pursuant to options now existing or hereafter granted to officers and employees of Tenneco Inc. and its subsidiaries or on exchange of Tenneco Corporation $1.60 Cumulative Second Preferred Stock or the reissuance of treasury shares.

No adjustment in respect of dividends will be made upon the conversion of the $5.50 Cumulative Convertible Preference Stock. No fractional shares of Common Stock will be issued upon conversion, but in lieu thereof Tenneco Inc. will make a cash adjustment based upon the market price for the Common Stock.

$5.50 Cumulative Convertible Preference Stock surrendered for conversion assumes the status of authorized and unissued Preference Stock and may not thereafter be reissued as $5.50 Cumulative Convertible Preference Stock.

Miscellaneous

No holder of capital stock of Tenneco Inc. has any preemptive rights, subscription rights, or cumulative voting rights.

The $5.50 Cumulative Convertible Preference Stock is full paid and non-assessable. The outstanding Common Stock of Tenneco Inc. is full paid and non-assessable and the Common Stock of Tenneco Inc. to be issued upon conversion of the $5.50 Cumulative Convertible Preference Stock as set forth herein will be full paid and non-assessable.

The Transfer Agents for the Common Stock are Chemical Bank, New York, N. Y., Houston National Bank, Houston, Texas, The Northern Trust Company, Chicago, Illinois, and United California Bank, Los Angeles, California, and the Registrars for the Common Stock are First National City Bank, New York, N. Y., First City National Bank of Houston, Houston, Texas, Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois, and Wells Fargo Bank, Los Angeles, California.

The Transfer Agents for the $5.50 Cumulative Convertible Preference Stock are Manufacturers Hanover Trust Company, New York, N. Y., Houston National Bank, Houston, Texas, and Wells Fargo Bank, Los Angeles, California, and the Registrars for the $5.50 Cumulative Convertible Preference Stock are Chemical Bank New York Trust Company, New York, N. Y., First City National Bank of Houston, Houston, Texas, and The Bank of California National Association, San Francisco, California.

The Common Stock of Tenneco Inc. is listed on the New York, Midwest and Pacific Coast Stock Exchanges, and the $5.50 Cumulative Convertible Preference Stock of Tenneco Inc. is listed on the New York and Pacific Coast Stock Exchanges.

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REPORTS OF INDEPENDENT PUBLIC ACCOUNTANTS — TENNECO INC.

To Tenneco Inc.:

We have examined the balance sheets of Tenneco Inc. (a Delaware corporation) and of Tenneco Inc. and consolidated subsidiaries as of June 30, 1969, and the related statement of income of Tenneco Inc., statements of retained earnings and premium on capital stock and other capital surplus of Tenneco Inc. and Tenneco Inc. and consolidated subsidiaries for the three years ended December 31, 1968, and the six months ended June 30, 1969. We have also examined the statement of consolidated income for the five years ended December 31, 1968, and the six months ended June 30, 1968 and June 30, 1969, appearing under the caption "Statement of Consolidated Income of Tenneco Inc." Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of KCL Corporation (formerly Kern County Land Company) and consolidated subsidiaries, but we were furnished with the report of other auditors thereon.

The report of the other auditors disclosed a change effective in 1965 in the accounting for pension costs by J. I. Case Company (a consolidated subsidiary) and retroactive changes in 1967 in the consolidation and oil and gas accounting policies of KCL Corporation (the latter accounting changes conform to the practices followed by Tenneco Inc.). In our opinion, the effect of the pension cost matter is not material in relation to the Tenneco Inc. consolidated financial statements and the other changes are required by the pooling-of-interests basis of accounting.

In our opinion, based upon our examination and the report of other auditors referred to above, the accompanying balance sheets, the statements of income, retained earnings and premium on capital stock and other capital surplus present fairly the financial position of Tenneco Inc. and of Tenneco Inc. and consolidated subsidiaries as of June 30, 1969, and the results of operations on an individual and consolidated basis for the periods set forth in the first paragraph above, in conformity with generally accepted accounting principles. Other than for the change in 1967 to an accepted alternative method of accounting for deferred income taxes as explained in Note 10 to the Tenneco Inc. financial statements, in our opinion, the accounting principles were applied on a consistent basis during the periods.

ARTHUR ANDERSEN & Co.

Houston, Texas
August 15, 1969

KCL Corporation:

We have examined the balance sheet of KCL Corporation (formerly Kern County Land Company) and consolidated subsidiaries as of June 30, 1969 and the related statements of retained earnings and of premium on capital stock and other capital surplus for the three years and six months then ended. We have also examined the statements of income of KCL Corporation (formerly Kern County Land Company) and consolidated subsidiaries for the five years ended December 31, 1968 and the six months ended June 30, 1968 and June 30, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The above-mentioned consolidated financial statements of KCL Corporation, not presented separately herein, have been retroactively revised from the previously published financial statements for that Company to give effect to: (1) restatement of the 1965 and 1966 fiscal years ending in October to fiscal years ending in December, (2) consolidation of the financial statements of J. I. Case Company in 1964 through 1966 (which did not affect net income), (3) a transfer of approximately $84,000,000 from retained earnings to premium on capital stock and other capital surplus in September 1967, and (4) restatement of 1964 through 1966 consolidated financial statements to reflect adoption of alternative accounting principles respecting oil and gas properties, as explained in Note 9 to the Tenneco Inc. consolidated financial statements.

In our opinion, the above-mentioned consolidated financial statements present fairly the financial position of KCL Corporation and consolidated subsidiaries at June 30, 1969 and the results of their operations for the above-stated periods, in conformity with generally accepted accounting principles applied (except for the change, which we approve, to the accrual method of recognizing pension costs by J. I. Case Company commencing in 1965) on a consistent basis in all material respects after the revisions referred to above.

HASKINS & SELLS

Houston, Texas
August 7, 1969

TENNECO INC. AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS

June 30, 1969 (Note 1)

(Expressed in thousands)

ASSETS

	Tenneco Inc.	Tenneco Inc. and Consolidated Subsidiaries
Current Assets:		
Cash	$ 40,013	$ 111,053
Temporary cash investments —		
U. S. Government securities	452	991
Certificates of deposit	—	17,803
Other	—	10,546
Receivables from associated companies	16,883	1,635
Special deposits	145	492
Notes receivable	—	29,013
Costs incurred and estimated profits recorded on shipbuilding contracts in process, less billings	—	47,575
Accounts receivable —		
Customers	30,433	207,454
Other	3,597	21,135
Reserve for doubtful accounts	—	(4,307)
Inventories (Note 2) —		
Raw materials, work in progress and finished products	—	285,686
Materials and supplies	4,006	20,663
Gas stored underground	1,288	1,706
Prepayments and other	7,681	26,856
	$ 104,498	$ 778,301
Investments:		
Majority-owned unconsolidated subsidiaries and 50% owned companies, at cost plus undistributed earnings	$ —	$ 85,672
Affiliated companies, at cost	844,649	39,157
Long-term receivables	—	48,261
Other, at cost	—	11,308
	$ 844,649	$ 184,398
Plant, Property and Equipment, at cost:		
Gas transmission	$1,591,406	$1,782,617
Construction work in progress — gas transmission	76,935	78,931
	$1,668,341	$1,861,548
Producing and undeveloped oil and gas	9,180	631,743
Producing leasehold interests, subject to redetermination (Note 4)	204,731	256,797
Refining and marketing	—	212,691
Packaging	—	250,836
Chemical	—	236,239
Machinery, equipment and shipbuilding	—	347,638
Land use and other	—	138,616
Construction work in progress — other	32,625	236,539
	$1,914,877	$4,172,647
Less — Reserves for depreciation, depletion and amortization (Note 9)	590,756	1,267,184
	$1,324,121	$2,905,463
Deferred Charges:		
Issue expense on preferred stock (Note 6)	$ 9,900	$ 12,881
Issue expense on long-term debt	18,844	24,105
Investment in consolidated subsidiaries in excess of net assets at date of acquisition, less amortization	—	36,838
Other	3,944	26,827
	$ 32,688	$ 100,651
	$2,305,956	$3,968,813

(The accompanying notes to financial statements are an integral part of these balance sheets.)

TENNECO INC. AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS

June 30, 1969 (Note 1)

(Expressed in thousands)

LIABILITIES

	Tenneco Inc.	Tenneco Inc. and Consolidated Subsidiaries
Current Liabilities:		
Sinking fund redemptions and maturities due within one year	$ 63,314	$ 73,412
Noninterest bearing purchase obligation maturities due within one year	8,291	8,291
Notes payable	140	106,590
Accounts payable	34,043	137,857
Payroll accrued	848	29,508
Taxes accrued	18,994	44,502
Interest accrued	11,058	19,955
Other	4,547	45,127
	$ 141,235	$ 465,242
Interest Bearing Long-Term Debt and Interim Financing (Note 3):		
Interest bearing long-term debt	$1,068,259	$1,765,069
Less — Sinking fund redemptions and maturities due within one year, included under current liabilities	63,314	73,412
	$1,004,945	$1,691,657
Interim financing (notes payable to banks)	15,000	25,000
	$1,019,945	$1,716,657
Noninterest Bearing Purchase Obligations (Note 4):		
Issued for producing leasehold interests, subject to redetermination, less maturities due within one year	$ 66,328	$ 109,672
Deferred Credits:		
Proceeds from sale of production payments, net of applicable federal income taxes of $12,654	$ —	$ 35,612
Other	4,510	23,545
	$ 4,510	$ 59,157
Reserves:		
Deferred federal income taxes (Note 10)	$ 38,579	$ 67,445
Pensions	—	8,287
Contingencies (Note 5)	—	4,492
	$ 38,579	$ 80,224
Outside Stockholders' Interest in Subsidiaries:		
Preferred stock (Note 6)	$ —	$ 23,225
Second preferred stock, with conversion provisions (Note 6)	—	59,964
Common stock and retained earnings	—	62,169
	$ —	$ 145,358
Stockholders' Equity:		
Preferred stock, par value $100 per share, authorized 2,297,000 shares, issued and outstanding 1,590,000 shares (Note 6)	$ 159,000	$ 159,000
Less — Par value of 19,413 shares held for sinking fund	1,941	1,941
	$ 157,059	$ 157,059
Second preferred stock, par value $100 per share, authorized 2,000,000 shares, issued and outstanding 1,105,525 shares with conversion provisions (Note 6)	110,552	110,552
Preference stock, no par value, authorized 10,000,000 shares, issued and outstanding 4,339,900 shares with conversion provisions, liquidating value $433,990,000 (Note 6)	108,498	108,498
Common stock, par value $5 per share, authorized 100,000,000 shares, issued and outstanding 55,571,138 shares (28,062,297 shares reserved for possible future issuance) (Note 7)	277,856	277,856
Premium on capital stock and other capital surplus	303,759	304,029
Retained earnings (Note 8)	77,635	446,439
	$1,035,359	$1,404,433
Less — 479,516 shares of common stock held by a subsidiary, at cost	—	11,930
	$1,035,359	$1,392,503
	$2,305,956	$3,968,813

(The accompanying notes to financial statements are an integral part of these balance sheets.)

TENNECO INC.

STATEMENT OF INCOME

(Expressed in thousands)

	Year Ended December 31, 1966	1967	1968	Six Months Ended June 30, 1969
Income:				
Operating revenues —				
Pipeline gas sales and transportation	$390,877	$406,292	$433,248	$232,481
Produced condensate and gas	4,617	2,658	4,662	1,916
Other	5,809	5,855	5,838	3,723
	$401,303	$414,805	$443,748	$238,120
Other income (net) —				
Cash dividends received from affiliated companies	$ 32,700	$ 41,679	$ 69,240	$ 31,850
Interest and other nonoperating income	336	46	(173)	94
	$ 33,036	$ 41,725	$ 69,067	$ 31,944
	$434,339	$456,530	$512,815	$270,064
Cost and Expenses (Notes 9 and 10):				
Operating expenses	$235,273	$246,968	$269,251	$143,527
Selling, general and administrative	13,443	14,827	15,536	8,657
Depreciation, depletion and amortization	56,564	58,970	58,948	32,982
Interest —				
On long-term debt	46,900	50,531	50,263	26,869
Other	414	1,462	1,777	426
Charged to construction	(9,097)	(9,318)	(14,072)	(6,897)
Federal income taxes — Current	7,085	2,634	5,844	5,380
Federal income taxes — Deferred	4,575	(3,370)	(3,984)	(1,684)
	$355,157	$362,704	$383,563	$209,260
Net Income	$ 79,182	$ 93,826	$129,252	$ 60,804

(   ) Denotes deduction.

(The accompanying notes to financial statements are an integral part of this statement of income.)

TENNECO INC. AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF RETAINED EARNINGS (Note 1)

(Expressed in thousands)

	Tenneco Inc.				Tenneco Inc. and Consolidated Subsidiaries			
	Year Ended December 31,			Six Months Ended June 30,	Year Ended December 31,			Six Months Ended June 30,
	1966	1967	1968	1969	1966	1967	1968	1969
lance, beginning of period	$ 47,934	$ 45,516	$ 54,215	$ 71,556	$274,753	$316,960	$365,036	$419,466
ld:								
Amount transferred from statements of income	79,182	93,826	129,252	60,804	134,992	139,282	166,931	81,206
	$127,116	$139,342	$183,467	$132,360	$409,745	$456,242	$531,967	$500,672
educt:								
Cash dividends —								
Cumulative preferred stock with annual rates varying from 4.10% to 7.25% on the issues outstanding at the respective dates	$ 7,021	$ 6,820	$ 8,248	$ 4,298	$ 7,021	$ 6,820	$ 8,248	$ 4,298
Cumulative convertible second preferred stock with annual rates varying from 4.50% to 5.36% on the issues outstanding at the respective dates	9,751	9,194	7,672	3,259	9,751	9,194	7,672	3,259
$5.50 Cumulative convertible preference stock	—	5,961	23,845	11,931	—	5,961	23,845	11,931
Common stock (Note 7)	58,995	63,132	68,469	35,235	57,047	61,160	67,195	34,948
Cash dividends of subsidiaries, prior to pooling	—	—	—	—	11,520	8,530	37	—
Costs applicable to proposed Texas-to-California pipeline project subsequently denied (net of federal income taxes of $3,239)	5,780	—	—	—	5,780	—	—	—
Plant, property and equipment adjustments resulting from Federal Power Commission original cost determination (Note 11)	—	—	3,624	—	—	—	3,624	—
Other (net)	53	20	53	2	1,666	(459)	1,880	(203)
	$ 81,600	$ 85,127	$111,911	$ 54,725	$ 92,785	$ 91,206	$112,501	$ 54,233
alance, end of period (Note 8)	$ 45,516	$ 54,215	$ 71,556	$ 77,635	$316,960	$365,036	$419,466	$446,439

( ) Denotes deduction.

(The accompanying notes to financial statements are an integral part of these statements of retained earnings.)

TENNECO INC. AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF PREMIUM ON CAPITAL STOCK AND OTHER CAPITAL SURPLUS (Note 1)

(Fxpressed in thousands)

	Tenneco Inc.				Tenneco Inc. and Consolidated Subsidiaries			
	Year Ended December 31,			Six Months Ended June 30,	Year Ended December 31,			Six Months Ended June 30,
	1966	1967	1968	1969	1966	1967	1968	1969
Balance, beginning of period	$209,018	$211,414	$251,267	$265,825	$209,201	$211,597	$251,450	$266,095
Add:								
Premium on common stock	2,183	37,749	13,742	23,637	2,183	37,749	13,742	23,637
Premium on preference stock ...	—	88	33	134	—	88	33	134
Proceeds from sale of common stock warrants	—	—	—	13,590	—	—	—	13,590
Discount on reacquired preferred stock, net of issue expense ...	201	284	783	573	201	284	783	573
Capital transactions of pooled companies	12	1,732	—	—	12	1,732	—	—
Other	—	—	—	—	—	—	87	—
Balance, end of period	$211,414	$251,267	$265,825	$303,759	$211,597	$251,450	$266,095	$304,029

(The accompanying notes to financial statements are an integral part of these statements of premium on capital stock and other capital surplus.)

NOTES TO FINANCIAL STATEMENTS

(1) Principles of Consolidation:

The consolidated financial statements include all majority-owned subsidiaries other than inactive companies, life insurance and finance subsidiaries.

Unconsolidated majority-owned subsidiaries and 50% owned companies are carried at cost plus undistributed earnings since date of acquisition. Such undistributed earnings amounted to $41,363,901 at June 30, 1969.

Investments in those affiliated companies which are carried at cost amounted to $39,156,648 at June 30, 1969, and the companies' equity in the net assets of these companies amount to $27,445,770. Substantially all of the $11,710,878 excess of cost over equity in net assets is represented by the difference between the purchase price and the underlying book value at date of acquisition.

All significant intercompany items related to Tenneco Inc., the consolidated companies and the unconsolidated companies carried on an equity basis have been eliminated in consolidation in the periods where applicable. The underlying book value of the consolidated companies was $239,566,815 in excess of the aggregate carrying value of such investments on the books of the parent companies at June 30, 1969. This excess represents the undistributed net book earnings of these subsidiary companies since organization or date of acquisition of $323,002,707, less the unamortized excess of cost of certain investments over underlying book value at the date of acquisition of $83,435,892, which in consolidation has been included either in deferred charges ($36,837,651) or plant, property and equipment ($46,598,241). Except for the gain arising from the sale of parent company stock, the subsidiary companies' net book earnings have been included in the statements of consolidated retained earnings.

On September 4, 1968, the plan of merger between Tenneco Corporation, a subsidiary, and Newport News Shipbuilding and Dry Dock Company was consummated. Pursuant to the terms of the merger, Tenneco Corporation acquired all of the outstanding common stock of Newport News in exchange for 852,810 shares of Tenneco Inc. common stock which it held and $102,338,000 principal amount of its 7% Debentures. This transaction was accounted for as a purchase and, accordingly, the results of operations of Newport News have been included in the financial statements since the date of acquisition.

In 1966, Tenneco Corporation, a subsidiary, acquired the assets and liabilities of several chemical and packaging companies in exchange for 756,548 shares of Tenneco Inc. common stock. In 1967, the assets and liabilities of General Foam Corporation were acquired in exchange for 704,566 shares of Tenneco Inc. common stock. Also in 1967, the business and assets of Kern County Land Company were acquired, subject to its liabilities, in exchange for 4,332,093 shares of Tenneco Inc.'s $5.50 Cumulative Convertible Preference Stock. In 1968, the assets and liabilities of several manufacturing and packaging companies were acquired in exchange for 698,013 shares of Tenneco Inc. common stock. The financial statements for prior years have been restated to reflect such transactions in accordance with the pooling-of-interests principle of accounting.

With respect to litigation in connection with the Kern County Land Company acquisition reference is made to the caption "Litigation — Tenneco Inc."

All items of foreign currency have been converted into U. S. dollars on the following bases and the resulting unrealized gains or losses have been reflected in the statements of income. Such gains or losses are not significant.

(a) Current assets and liabilities — exchange rate at end of period.

(b) All other assets and liabilities — generally the exchange rate in effect at date of transaction.

(c) Income and expenses — at exchange rates during the period except for depreciation, depletion and amortization which have been computed on the U. S. dollar carrying value of the applicable assets.

(2) Inventories:

Inventories are stated at the lower of cost or market. Cost for different products has been determined on "average cost," "first-in, first-out," and "last-in, first-out" bases.

Inventories used in the computation of cost of sales at each year-end were $226,311,257 in 1965; $250,015,238 in 1966; $254,268,074 in 1967 and $261,423,584 in 1968. Such inventories at June 30, 1969 amounted to $285,686,112.

(3) Interest Bearing Long-Term Debt and Interim Financing:

A summary of interest bearing long-term debt outstanding at June 30, 1969, and the amounts due within one year are as follows:

	(Expressed in thousands)		
	Amount Outstanding	Due Within One Year	Held by a Subsidiary
Tenneco Inc.			
First mortgage pipeline bonds, due 1970 through 1988, average interest rate 5.13%	$ 474,165	$37,160	$10,237
Debentures, due 1974 through 1987, average interest rate 5.30%	594,094	26,154	6,230
	$1,068,259	$63,314	$16,467
Pipeline subsidiaries due 1980 through 1988, average interest rate 6.23%	72,903	4,466	
Tenneco Corporation			
5⅛% Debentures due 1990	46,000	500	
6¼% Exchangeable debentures due 1992	99,998	—	
7% Debentures due 1993	101,332	—	
6% Bank loan due 1971	5,200	2,400	
Other	450	—	
Tenneco International N.V.			
6¾% Deutsche Mark bonds due 1983	25,000	—	
Chemical subsidiaries due 1972 through 1988, average interest rate 5.62%	81,283	3,635	
Packaging subsidiaries due 1969 through 1993, average interest rate 5.58%	73,814	2,868	
Land use subsidiaries due 1971 through 2007, average interest rate 5.20%	109,277	4,561	
Machinery, equipment and shipbuilding subsidiaries due 1971 through 1995, average interest rate 5.32%	70,015	3,075	
Other	28,005	5,060	
	$1,781,536	$89,879	
Less — Tenneco Inc. bonds and debentures held by a subsidiary	16,467	16,467	
	$1,765,069	$73,412	

The aggregate maturities and sinking fund requirements for the four subsequent years applicable to the issues outstanding at June 30, 1969, are as follows:

	(Expressed in thousands)			
	2nd Year	3rd Year	4th Year	5th Year
Tenneco Inc.	$65,669	$63,644	$64,649	$65,374
Pipeline subsidiaries	4,666	5,316	5,366	5,366
Tenneco Corporation	3,400	3,800	1,000	1,994
Chemical subsidiaries	4,180	4,129	4,079	900
Packaging subsidiaries	3,500	3,151	2,938	2,671
Land use subsidiaries	4,685	4,683	4,723	4,736
Machinery, equipment and shipbuilding subsidiaries	5,254	4,623	4,050	4,052
Other	6,407	3,627	7,060	1,475
	$97,761	$92,973	$93,865	$86,568

Tenneco Inc. and Tenneco Corporation have arranged interim financing through bank credit agreements. Tenneco Corporation has a credit agreement which authorizes loans of $100,000,000. Also, Tenneco Inc. and Tenneco Corporation have entered into a joint bank credit agreement whereby the two companies may borrow a maximum of $100,000,000, except that Tenneco Corporation's borrowings may not exceed $50,000,000 under this agreement. Such agreements expire at December 31, 1969, but may be extended annually thereafter by consent of the participating banks. At June 30, 1969, Tenneco Inc. had loans outstanding of $15,000,000 under the joint credit agreement and Tenneco Corporation had loans outstanding of $10,000,000 under its credit agreement. The interest rate on loans outstanding was 8½%.

Tenneco Inc. sold or contracted to sell $50,000,000 principal amount of 9% First Mortgage Pipeline Bonds in September, 1969.

(4) Noninterest Bearing Purchase Obligations:

In 1960, the Company purchased interests in certain gas and oil leases in the Bastian Bay Field, Louisiana, for which it paid $9,427,104 and executed noninterest bearing notes aggregating $150,036,396 due in annual amounts over a period of 17 years. At June 30, 1969, $74,619,540 of such noninterest bearing notes was outstanding. Such amount is subject to adjustment, upward or downward, based on a redetermination of the recoverable reserves from the properties acquired. The Company has engaged in extensive developmental work on the Bastian Bay leases, and has been taking gas into its pipeline system from the Bastian Bay leases through facilities constructed pursuant to a general authorization granted to the Company by the Federal Power Commission for the construction of gathering lines. In 1965, it was held that construction of the connecting facilities and sale of leases, including the purchase price, required the specific authorization of the Federal Power Commission. The Company has applied for authorization of such connecting facilities, but is unable to state what ultimate disposition will be made of these proceedings, including the sale of the interests to the Company and the agreed price.

In another similar arrangement, which was also held to require specific Federal Power Commission authorization, subsidiaries of the Company purchased oil and gas reserves in the Ship Shoal area off the coast of Louisiana for a total purchase price of $97,333,332. In May 1968, a settlement was entered into with the sellers under which the original price was reduced to $53,989,583, which has been paid. Such settlement is subject to approval of the Federal Power Commission. Pursuant to the terms of the settlement agreement, all installments due under the original agreement have been suspended.

(5) Reserve for Contingencies:

Reserves for possible investment losses have been provided by a subsidiary, Tenneco Corporation, since 1964. Charges to such reserve in 1966 amounted to $3,633,059.

(6) Preferred and Preference Stock:

Tenneco Inc.

(a) Cumulative Preferred Stock

At June 30, 1969, there were fourteen issues of cumulative preferred stock outstanding with annual dividend rates varying from 4.10% to 7.25% (average dividend rate of 5.42%). The aggregate redemption value was $162,935,708, which declines at various future dates. The preference in involuntary liquidation is par value of each issue. There are no arrearages in dividends on any issue of the preferred stock. Tenneco Inc. is required to retire a portion of the outstanding preferred stock each year; sinking fund requirements for the twelve months ended June 30, 1970 amount to $6,250,000. Preferred stock issue expense is written off to capital surplus as shares are acquired to meet sinking fund requirements.

(b) Cumulative Convertible Second Preferred Stock

Details of outstanding cumulative convertible second preferred stock are as follows:

Series	Convertible into Common Stock on or Before	Current Conversion Rate	Outstanding Shares	Par Value (Expressed in thousands)
4.50%	Expired		5,469	$ 547
4.72	Expired		21,966	2,197
4.92	September 1, 1977	3.76 shares**	50,648	5,065
5.00	November 1, 1974	3.92 shares*	145,996	14,599
5.36	December 31, 1982	3.44 shares**	881,446	88,144
			1,105,525	$110,552

* The conversion rate declines to 3.68 shares after November 1, 1969.

** The conversion rate declines at various future dates, none of which are before September 1, 1972.

The aggregate redemption value was $116,115,016, which declines at various future dates. Issue expense of second preferred stock is written off to premium on capital stock at the time of conversion.

During 1968 and the six months ended June 30, 1969, 160,085 and 287,149 shares, respectively, were converted into Tenneco Inc. common stock.

(c) Preference Stock

At June 30, 1969, there were authorized 10,000,000 shares of preference stock, without par value, of which 4,350,675 shares have been designated as $5.50 Cumulative Convertible Preference Stock. The $5.50 preference stock has a stated value of $25 per share and a liquidating value of $100 per share, with each share convertible to 3.6 Tenneco Inc. common shares on and after July 1, 1969. Commencing July 1, 1977, the preference stock is redeemable in whole or in part at the option of Tenneco Inc. at an initial rate of $110 per share (aggregate redemption value, $477,389,000), which declines at various future dates.

Tenneco Corporation

(a) Cumulative Preferred Stock

At June 30, 1969, of the 475,250 shares authorized at a par value of $100 per share, there were issued and outstanding two series of cumulative preferred stock, consisting of 55,000 shares of 5.75% and 140,250 shares of 6% preferred stock. The current redemption value was $21,117,250, exclusive of accrued dividends. The redemption value declines at various future dates. There was no arrearage in dividends on these issues. All of the 5.75% series is owned by Tenneco Inc.

The sinking fund requirements for the 6% issue provide for the redemption of 8,250 shares, at par value, on each December 31 through 1985. The sinking fund requirements for the 5.75% issue provide for redemption of 2,750 shares, at par value, on each December 31 through 1988.

(b) Cumulative Second Preferred Stock

At June 30, 1969, of the 20,000,000 shares of second preferred stock authorized, there were issued and outstanding 2,000,000 shares of the $1.60 series. Each share, having a stated value of $27.75, is redeemable at the option of the holder prior to May 1, 1983, for one share of Tenneco Inc. common stock, subject to adjustment under certain conditions. Tenneco Inc. has agreed to exchange its common stock for such second preferred stock. At June 30, 1969, Tenneco Inc. has acquired through exchange 10,225 shares of such second preferred stock. At the option of Tenneco Inc., any shares of second preferred stock so exchanged by Tenneco Inc. for its common stock are required to be purchased by Tenneco Corporation at a price of $27.75 per share. The current cash redemption value was $58,399,896, exclusive of shares held by Tenneco Inc. and accrued dividends. The redemption value declines at various future dates. There was no arrearage in dividends on this issue.

Midwestern Gas Transmission Company

At June 30, 1969, of the 992,000 shares authorized at a par value of $100 per share, there were 92,000 shares of 5½% Preferred Stock issued and outstanding. The current redemption value was $9,637,000, exclusive of accrued dividends. The redemption value declines at various future dates. There was no arrearage in dividends on this issue. The sinking fund requirements provide for the redemption of 4,000 shares, at par value, on each December 31, through 1991.

J. I. Case Company

At June 30, 1969, of the 1,200,000 shares authorized at a par value of $1 per share, there were 439,467 shares of $1.44 Convertible Series A Second Preferred Stock issued and outstanding. The current liquidating value was $10,987,000. Each share is convertible to 1.1 J. I. Case Company common share. Tenneco Corporation owns 247,293 shares of this issue.

(7) Common Stock and Stock Option Plans:

At June 30, 1969, the shares of Tenneco Inc. common stock reserved for issuance were as follows:

Conversion of second preferred stock	3,794,915
Conversion of preference stock	15,623,640
Exercise of common stock warrants	2,500,000
Exchange of Tenneco Corporation second preferred stock	1,989,775
Exchange of Tenneco Corporation subordinated debentures	3,333,267
Stock option plans	467,100
Contingently issuable depending on future earnings of certain acquired companies	353,600
	28,062,297

At June 30, 1969, warrants for the purchase of 2,500,000 shares of Tenneco Inc. common stock were outstanding. Such warrants are exercisable at a price of $32 per share through April 1, 1979.

During 1968 and the six months ended June 30, 1969, 580,891 and 1,051,970 shares, respectively, were issued upon conversion or exchange of preferred stock and debentures. Also 74,702 and 51,179 shares, respectively, were issued in connection with stock options during such periods.

At June 30, 1969, Tenneco Inc. had reserved, and granted options for the purchase of, an aggregate of 1,223,537 shares of common stock under a Restricted Stock Option Plan which provided for the granting of options at 95% of the fair market value at the date of grant. Options for the purchase of 1,122,550 shares had been exercised. The remaining options are currently exercisable. In addition, Tenneco Inc. has reserved an aggregate of 500,000 shares of common stock under a Qualified Stock Option Plan which provides for the granting of options at 100% of the fair market value at date of grant. At June 30, 1969, options had been granted for 458,875 shares. The 115,025 shares which became exercisable in 1966 had a total option price of $2,645,575 ($23.00 per share) and a total market value of $2,573,684 ($22.375 per share) at the date the options became exercisable; the 173,362 shares which became exercisable in 1967 had a total option price of $3,779,122 ($19.250-$23.125 per share) and a total market value of $4,577,904 ($23.00-$30.00 per share) at the dates the options became exercisable; the 109,413 shares which became exercisable in 1968 had a total option price of $2,513,244 ($19.250-$27.375 per share) and a total market value of $3,188,805 ($26.625-$31.500 per share) at the dates the options became exercisable; the 4,750 shares which became exercisable in 1969 (through June 30) had a total option price of $113,406 ($23.875 per share) and a total market value of $135,969 ($28.625 per share) at the date the options became exercisable. Options for the purchase of 172,677 shares had been exercised. Of the remaining 286,198 shares granted, options for 229,873 shares are currently exercisable and options for 46,325 shares become exercisable in 1969, 5,000 shares in 1970 and 5,000 shares in 1971.

Information with respect to the aggregate options granted and exercised at June 30, 1969 under the foregoing plans is set forth below:

Options Granted: Number of Shares	Year Granted	Granted			
		Per Share Range		Total	
		Option	Market	Option	Market
1,453,587	1951—1965	$10.261—32.530	$10.801—34.242	$31,302,529	$32,629,686
116,675	1966	19.25 —23.125	19.25 —23.125	2,267,112	2,267,112
102,150	1967	23.875—27.375	23.875—27.375	2,759,356	2,759,356
10,000	1969	28.500	28.500	285,000	285,000
1,682,412					

Options Exercised: Number of Shares	Year Exercised	Exercised			
		Per Share Range		Total	
		Option	Market	Option	Market
770,549	1952—1965	$10.261—32.530	$18.750—41.683	$16,212,280	$22,636,974
22,920	1966	14.487—21.884	20.750—24.000	447,718	523,042
375,877	1967	14.487—23.125	22.625—31.125	8,157,473	10,974,747
74,702	1968	19.250—23.875	25.500—32.250	1,595,297	2,081,921
51,179	1969	19.250—27.375	26.875—31.000	1,111,810	1,508,904
1,295,227					

Tenneco Inc. makes no accounting entries until such time as the options are exercised. Then Tenneco Inc. records the par or stated value of the stock issued in the capital stock account with the remainder of the proceeds being credited to premium on capital stock.

Kern County Land Company, prior to its acquisition by Tenneco Inc., had in effect stock option plans whereby options were granted to officers and key employees for the purchase of shares of Kern common stock. In substitution therefor options were granted for the purchase of Tenneco Inc.'s $5.50 Cumulative Convertible Preference Stock. At June 30, 1969, Tenneco Inc. had reserved 10,775 shares of its Preference Stock for such stock options which had not been exercised. At June 30, 1969, Tenneco Inc. also had reserved 38,790 shares of its common stock for the conversion of such preference stock. Options for 7,807 shares of preference stock have been exercised.

For further information with respect to stock options, reference is made to the subcaption "Employee Relations" under the caption "Management of Tenneco Inc."

Cash dividends on common stock have been paid at quarterly rates of 29¢ per share through September 30, 1966, 30¢ per share thereafter through September 30, 1967 and 32¢ thereafter through June 30, 1969.

At June 30, 1969, warrants for the purchase of an aggregate of 465,334 shares of common stock of Midwestern Gas Transmission Company were outstanding of which warrants for the purchase of 240,000 shares were owned by Tenneco Inc. and warrants for the purchase of 225,334 shares were outstanding in the hands of the public. These warrants are exercisable through December 31, 1973, at a price of $15 per share, subject to adjustment under certain conditions.

(8) Restrictions on Payment of Dividends:

At June 30, 1969, after giving effect to various restrictions contained in the companies' certificates of incorporation, bond and debenture indentures and note and bank loan agreements, approximately $286,000,000 of consolidated retained earnings was not restricted for payment of dividends on common stock.

(9) Depreciation, Maintenance, Etc.:

Depreciation is provided as follows:

Gas transmission plant — on a straight-line basis at annual rates of 3%, 3.12% and 3½%

Producing properties —

Lease and well equipment and related facilities — unit-of-production method as discussed below

Other plant and equipment — on a straight-line basis at annual rates of 10% — 20%

Refining and marketing properties — on a straight-line basis at annual rates of 5% — 8%

Packaging properties — on a straight-line basis at annual rates of 2% — 25%

Chemical properties — on a straight-line basis at annual rates of 2% — 20%

Machinery, equipment and shipbuilding properties — on a straight-line basis at annual rates of 2% — 50%

Land use and other properties — on a straight-line basis at annual rates of 1% — 50%

Work and automotive equipment — on a straight-line basis at annual rates of 10% — 33⅓%

Depreciation applicable to cost of sales was $31,043,000, $35,251,000, $41,544,000 and $23,655,000 for the years 1966, 1967 and 1968 and the six months ended June 30, 1969, respectively.

Timber depletion is provided on the basis of timber cut or sold during the period.

Tenneco Inc. and its subsidiaries capitalize all productive and nonproductive well drilling costs applicable to the exploration for and development of oil and gas reserves. Depreciation, depletion and amortization is provided on a composite basis using the unit-of-production method. With respect to Tenneco Inc., a rate is determined for each production area by dividing the total unrecovered book cost of all producing and undeveloped oil and gas properties by the total quantity of remaining reserves. As to the subsidiaries, a rate is determined for all domestic and Canadian properties by dividing the total unrecovered book cost of all such properties by the total quantity of remaining reserves. Similarly, rates are determined for overseas properties. Nonproducing leases are charged to the composite reserve when abandoned.

Kern County Land Company, upon acquisition by Tenneco Inc., adopted retroactively the accounting policies described in the preceding paragraph and changed its accounting for production properties purchased subject to retained production payments to the "net method" followed by Tenneco Inc. The effect of these changes in accounting policy increased Kern's net income for the years 1964, 1965 and 1966 by $3,525,000, $3,085,000 and $3,552,000, respectively.

In general, it is the practice of the companies to charge to maintenance the repairs of property and replacements and renewals of items determined to be less than units of property, except for repairs of an insignificant amount which are charged to transportation expense, or other clearing accounts, and redistributed from those accounts, together with other charges, to various operating, construction and other accounts. The companies charge the costs of replacements and renewals of items considered to be units of property to the plant accounts, and units of property replaced are credited to the plant accounts and charged to depreciation reserve. Since the reserve provisions are made primarily on a composite life basis, generally no adjustments of accumulated reserves are made in connection with retirements or other dispositions of property occurring in the ordinary course of business. Property additions are charged to the plant accounts.

Tenneco Inc. and East Tennessee Natural Gas Company have made no provision for the amortization of gas transmission plant intangibles. Midwestern Gas Transmission Company has provided for the amortization of substantially all of its intangibles at an annual rate of 3.5%. The aggregate amount of such intangibles for all companies is not significant.

Rents and royalties included in operations amounted to approximately $16,000,000, $16,000,000, $20,500,000 and $12,900,000 for the years ended December 31, 1966, 1967 and 1968 and the six months ended June 30, 1969, respectively. Of such amounts, $5,500,000, $5,400,000, $5,900,000 and $4,200,000 are applicable to royalty payments for gas produced.

The companies have in effect several pension plans, covering substantially all of their employees. The total pension expense was $14,200,000, $16,100,000, $16,700,000 and $10,100,000 for the years 1966, 1967 and 1968 and the six months ended June 30, 1969, respectively. The unfunded past service cost of certain plans of acquired companies is estimated to be approximately $75,500,000 at June 30, 1969, which generally is being amortized over periods ranging from 11 to 40 years. The excess of actuarially computed vested benefits over funded amounts and accruals approximates $44,700,000.

(10) Federal Income Taxes:

Substantial amounts of the costs incurred in exploration for and development of oil and gas reserves, which are capitalized for financial purposes as discussed in Note 9, are deducted as incurred for tax purposes.

The investment tax credit, other than that attributed to the sale of production payments which has been deferred and is being amortized over the life of such production payments, has been recorded on the flow-through method of accounting whereby the benefit of such credit is currently reflected in the income statement. The total consolidated investment tax credit so utilized and reflected for the years 1964, 1965, 1966, 1967 and 1968 and the six months ended June 30, 1968 and 1969 was $5,165,200, $2,944,600, $2,606,800, $3,900,000, $15,800,000, $6,983,200 and $13,300,000, respectively. The investment credit applicable to Tenneco Inc. on a separate basis was $2,876,700, $3,486,000, $7,647,400 and $2,659,600 for the years 1966, 1967, 1968 and the six months ended June 30, 1969. At June 30, 1969, the companies' unused investment tax credit aggregated approximately $13,200,000 and an additional $4,200,000 was deferred and will be amortized over the remaining life of the production payments.

The 1966 federal income tax provision includes a charge equivalent to the tax reduction ($3,239,000) resulting from the charge-off to retained earnings of the cost applicable to a proposed Texas-to-California pipeline project which was denied by the Federal Power Commisison.

Foreign income taxes for the years 1966, 1967, 1968 and the six months ended June 30, 1969 amounted to $848,100, $1,079,300, $2,418,600 and $1,551,600, respectively.

For all years reported prior to 1967, the amount of federal income taxes currently deferred because of using liberalized depreciation for federal income tax purposes was charged to income and credited to a reserve for deferred federal income taxes. Since 1967, the pipeline companies regulated by the Federal Power Commission have adopted the flow-through method of accounting for the current tax reduction resulting from the use of liberalized depreciation for federal income tax purposes, pursuant to orders by the Commission, and began amortizing the balance of the prior years' deferred taxes over a period of 13 years from January 1, 1967 (annual amortization of $3,370,000). The companies' gas sales rates were concurrently reduced to give effect to this change in accounting. The subsidiary companies not regulated by the Federal Power Commission continue to follow deferred tax accounting for the current income tax reduction resulting from the use of liberalized depreciation for tax purposes, and such reserves will be charged with the increase in income taxes payable in future years as a result of using these tax deductions currently

(11) Regulatory Matters:

In June 1967, the Federal Power Commission ordered Tennessee Gas Pipeline Company, a division of Tenneco Inc., to show justification for certain capitalization policies, relating primarily to the costs assigned to the exploration for and development of its gas reserves. In February 1968, the Commission and Tennessee Gas Pipeline entered into a stipulation agreement which terminated certain other matters contained in the June 1967 Order, resulting in a charge to retained earnings of $3,623,773 ($2,952,006, $223,519 and $448,248 applicable to the years 1953-1965, 1966 and 1967, respectively). In July 1969, the Commission approved a transfer of the production properties (exclusive of the Bastian Bay and Ship Shoal properties which are the subject of other Commission proceedings) to an affiliate, Tenneco Oil Company and terminated the proceedings, reserving the right to treat these properties as if they were still owned by Tennessee Gas Pipeline for rate regulatory purposes. The transfer of the production properties has been reflected in the financial statements at June 30, 1969.

(12) Events Subsequent to Date of Auditor's Report:

A subsidiary of Tenneco Inc. proposes to exchange approximately 500,000 shares of Tenneco Inc. $5.50 Preference Stock, which it purchased in August and September 1969, for shares of J. I. Case Company Common Stock and Series A Preferred Stock as described in this Prospectus.

(The above notes are an integral part of the foregoing financial statements.)

J. I. CASE COMPANY

Case, incorporated under the laws of Wisconsin in 1880, is the successor to the farm machinery business established by Jerome I. Case in 1842. Case is a full line producer of agricultural equipment and is also a producer of construction equipment. Case's wholly-owned subsidiary, J. I. Case Credit Corporation, finances the distribution of Case's products to dealers and consumers.

As of September 8, 1969, securities of Case were owned by subsidiaries of Tenneco Inc. as follows:

Owning Company	Class of Case Securities	Amount Owned	% of Securities Outstanding
Tenneco Corporation	5¾% Cumulative Preferred Stock, par value $100 per share	200,000 shares	100%
Tenneco Corporation	Cumulative Second Preferred Stock, $1.44 Convertible Series A, par value $1 per share	247,293 shares	56.3%
KCL Corporation	Common Stock, par value $1 per share	3,356,709 shares	55.7%
Tenneco Corporation	5½% Subordinated Debentures due 1990	$3,850,700	19.3%

BUSINESS AND PROPERTY OF CASE

Case produces agricultural equipment and construction equipment. During the periods shown below, these types of products contributed to total Case sales as follows:

(Expressed in Thousands of Dollars and Percentages of Sales)

	Year Ended October 31, 1967		Year Ended October 31, 1968		Nine Months Ended July 31, 1969	
Net Sales:						
Agricultural Equipment	$227,100	(64.4%)	$191,400	(53.5%)	$134,500	(46.1%)
Construction Equipment*	126,700	(35.6%)	166,100	(46.5%)	157,100	(53.9%)
Consolidated	$353,800		$357,500		$291,600	

* Includes sales of Drott Division and Davis Division since January, 1968 and November, 1968, respectively.

It is expected that construction equipment sales will account for over 50% of total sales during the current fiscal year.

Many of Case's plants produce either component parts or finished products for both Case's agricultural equipment division and its construction equipment division. Much of the equipment manufactured by these two divisions is distributed through the same distribution channels. The existence of each type of product thus furthers the manufacture and distribution of the other and in large part the ability of Case ultimately to sell a significant portion of its construction equipment products is dependent upon the existence of its agricultural equipment products. For these reasons it is impracticable to allocate meaningfully much of the cost of manufacture and distribution in a manner which will fairly reflect the contributions of these two types of products to the profits of Case. For the purpose of assigning divisional responsibility Case does maintain divisional financial reports which reflect that for the fiscal year ended October 31, 1968 and for the nine months ended July 31, 1969 the expenses allocated to the agricultural equipment division exceeded the divisional sales of that division.

Included in the two types of products are the following major machines and attachments, many of which are produced in various sizes, types and models:

Agricultural Equipment	Construction Equipment
Agricultural wheel tractors; gasoline and diesel engines	Industrial wheel tractors equipped with fork lifts, loaders and backhoes

Agricultural Equipment	Construction Equipment
Rice, grain, corn and bean combines	Crawler and wheel mounted hydraulic excavators
Hay machinery, including windrowers, balers, rakes and mowers	Crawler and wheel mounted trenchers
Forage harvesters, blowers and cotton harvesters	Crawler tractors equipped with loaders and bulldozers
Garden tractors	Articulated and non-articulated wheel loaders
Tillage equipment, including plows, harrows and cultivators	Hydraulic cranes
Planting equipment for corn, beans and small grains	Straddle cranes
Materials handling equipment, including elevators, loaders, spreaders and wagons	Timber skidders
	Concrete placers and other machinery

In order of dollar sales volume, the most important of Case's products are agricultural wheel tractors, industrial wheel tractors equipped with backhoe and loader, crawler tractors, Drott hydraulic excavators and cranes, front end wheel loaders, combines, agricultural implements, Davis trenchers, and hay machinery.

Case's agricultural equipment is used for plowing, tilling, planting, cultivating, fertilizing and harvesting a wide variety of crops. Domestic sales of agricultural equipment normally bear a close relation to farm income, which in turn reflects agricultural output, the prices of agricultural products received and costs incurred.

Case's construction equipment is used in many fields, including residential, public and commercial construction, road building and maintenance, sewer and water installation, mining and quarrying, irrigation and land reclamation, for such jobs as earth moving, land levelling, grading and excavating. In addition, certain construction equipment is used in pipeline and power and telephone line installation, and for logging and specialized materials handling. Sales are closely related to the amount of activity in the construction industry.

Sales of Case's products outside of the United States and Canada were approximately 14% of its total sales in each of the 1967 and 1968 fiscal years.

Case operates the physical facilities of Drott Manufacturing Corporation ("Drott") under a seven-year operating agreement which expires December 31, 1974. Drott is a manufacturer of construction equipment and is a wholly-owned subsidiary of Tenneco Corporation, which acquired it in December, 1967 in exchange for 350,000 shares of Common Stock of Tenneco Inc. Under the agreement between Case and Drott, Case is granted the right for the term of the agreement to use and operate at its own expense Drott's physical facilities and to manufacture, sell and grant licenses with respect to Drott products, subject only to preexisting patent and trademark licenses granted by Drott. All profits resulting from the manufacture and sale of products through the utilization of the Drott facilities (which Case operates as the Drott Division), and all royalty and other payments accruing during the term of the agreement under licenses granted with respect to Drott products (whether granted by Case or previously granted by Drott), belong to Case. In return Case pays Drott $600,000 per year during the term of the agreement and pays all taxes, fire insurance premiums and other charges applicable to the premises during such term, so that the payments to Drott represent a net return.

Sales of Case's Drott Division for the nine months ended July 31, 1969 were approximately $24,139,000.

Case also operates the physical facilities of Davis Manufacturing, Inc. ("Davis") under a seven-year operating agreement which expires November 11, 1975. Davis is a construction equipment manufacturer and is a wholly-owned subsidiary of Tenneco Inc. Davis was acquired in November, 1968 by Tenneco Inc. in exchange for 250,000 shares of Tenneco Inc. Common Stock pursuant to a contract

requiring delivery of up to an additional 250,000 shares of Tenneco Inc. Common Stock under certain circumstances. The agreement between Davis (whose facilities Case operates as the Davis Division) and Case is generally similar to the agreement with Drott except for the annual payments to be made by Case. Case pays Davis the basic sum of $670,000 for each year of the agreement, the annual payments after the first year being subject to increase on the following basis, up to a maximum total payment of $1,150,000 for any year: The basic payment for the second year (beginning November 12, 1969) is to be augmented by 16% of any excess over $1,000,000 of the pretax profits of the Davis Division for the 1969 fiscal year. The payment for the third and each subsequent year is to be an amount equal to the total payment for the second year plus 16% of any excess over $2,000,000 of the pretax profits of the Davis Division for the 1970 fiscal year.

The sales of Davis for the nine months ended July 31, 1969, were approximately $10,846,000.

In July, 1969, Case consummated an agreement entered into in February, 1969, by acquiring all of the patents and similar rights, trademarks, business and good will relating to the compact loader equipment line known as the "Universal Uni-loader". It also acquired, in that connection, certain inventories and special tooling and equipment for the production of Uni-loaders and a small Uni-loader assembly plant in Germany.

In August 1969, Case introduced a new line of agricultural tractors in the single largest new product program it has ever undertaken. The new line is considered by Case to incorporate substantial improvements over its former line, which it had been manufacturing for some years and which accounted for approximately 30% of Case's dollar volume of sales during the 1968 fiscal year. Case believes that the new tractor line will substantially improve its competitive position. Three of its plants were closed during June and portions of July, 1969, in order to permit retooling for production of the new tractor line. Case is increasing its efforts to produce and market agricultural tractors in the higher horsepower range.

Competition

The agricultural equipment industry in North America is highly competitive. Case believes that in 1968 there were some 900 producers of farm equipment. There are seven companies, including Case, commonly referred to as full line manufacturers which make and sell a relatively complete line of agricultural equipment. These full line manufacturers account for about two-thirds of the industry's total volume. While accurate figures on the sales of agricultural equipment by all of these manufacturers are not available, Case believes that three of the seven companies have substantially larger sales than does Case. Besides the full line companies, there are many short line companies which manufacture and sell certain kinds of agricultural equipment in competition with the full line manufacturers.

The market for construction equipment is also highly competitive. In the sale of its smaller crawler tractors and industrial wheel tractors equipped with backhoe and loader, Case experiences competition principally from the companies which are its major competitors in the agricultural business. Case believes it is one of the largest producers of backhoes and trenching equipment. Case's larger models of crawler tractors compete principally with similar products of the three largest crawler tractor manufacturers. The sales of crawler tractors of this size by one of such manufacturers substantially exceed those of any of the others, including Case. Front end wheel loaders are manufactured by an additional limited number of concerns.

Distribution System

Case sells its products at wholesale in the United States and Canada, through 3 construction equipment regional offices and 19 agricultural equipment branch offices, to approximately 1,670 agricultural equipment dealers, 170 construction equipment dealers, 250 garden tractor dealers and 21 concrete machinery dealers. Sales of Drott and Davis products are made principally, however, to 80 Drott dealers and 100 Davis dealers, who are not included in the construction equipment dealers referred to above.

Case's light construction equipment (referred to hereafter as utility equipment) is generally sold by both agricultural equipment dealers and construction equipment dealers. A few dealers handle agricultural equipment, utility equipment and heavy construction equipment.

Case's dealers are independent business firms which purchase, sell, service and stock parts for Case's products under franchise agreements with Case. In accordance with common practice in the agricultural and construction equipment industries, some Case agricultural equipment dealers and construction equipment dealers also handle competing products of other companies.

In addition to selling at wholesale to dealers, Case operates at various locations in the United States and Canada 96 agricultural and utility equipment retail stores, 21 construction and utility equipment retail stores and 10 retail stores which sell agricultural, construction and utility equipment. 49 of these retail stores have been opened during the 1969 fiscal year.

Case has consolidated subsidiaries in Australia, England, France, Germany, Denmark, Brazil, Mexico and Japan. These subsidiaries generally are responsible for the marketing of Case products in their respective countries or areas, and products of the English and French subsidiaries are also sold to various distributors throughout the European market. In other areas of the free world where Case's products are sold, sales are handled through independent distributors and licensees.

Properties

A building owned by Case in Racine, Wisconsin, containing 47,000 square feet of floor space, has served as its main office for many years. An additional 125,000 square feet of office space is provided by another nearby building of Case.

Case's manufacturing operations are conducted in twelve domestic plants and five foreign plants. The domestic plants and the principal products produced at each are as follows:

Plants	Principal Items Manufactured
Bettendorf, Iowa	Grain, corn, rice and bean combines; hay machines; corn heads.
Burlington, Iowa	Industrial crawler and wheel tractors; fork lifts; loaders; bulldozers; backhoes; related construction equipment.
Racine, Wisconsin:	
Clausen Plant	Agricultural wheel tractors; gasoline and diesel power units.
Foundry	Grey iron castings of engine blocks, transmission cases and miscellaneous parts for Case equipment only.
Transmission Plant	Tractor transmissions.
Rockford, Illinois	Agricultural tractors; materials handling equipment, including loaders, elevators and wagons; tillage equipment, including plows, harrows and cultivators; planting equipment; hay tools; uni-loaders.
Rock Island, Illinois	Gasoline and diesel engines; crawler tractor transmissions; hydraulic cylinders and components; non-current repair parts.
Terre Haute, Indiana	Construction equipment; rubber-tired tractors; articulated loaders; industrial tractors with loaders and backhoes.
Waterford, Wisconsin	Concrete placers; concrete truck cranes.
Wausau, Wisconsin	Hydraulic excavators; industrial and erection cranes; materials handling straddle cranes.
Wichita, Kansas	Wheel and crawler trenchers; line-laying equipment; hydra-boring equipment for placing cable and pipe under roads; tilt-bed trailers.
Winneconne, Wisconsin	Garden tractors and related equipment.

All of the plants listed above are owned by Case except the plants at Waterford, Wausau and Winneconne, Wisconsin, and at Wichita, Kansas. The Waterford plant is leased for a term expiring January 31, 1974. Such lease includes a five year renewal option and a purchase option. The Winne-

conne plant is held under a land contract which provides that title will vest in Case when the remaining purchase price installments, aggregating $75,040 and payable annually through 1978, have been fully paid. The Wausau and Wichita plants are owned by Drott and Davis, respectively.

The domestic plants contain a total of approximately 8,430,000 square feet of floor space on sites aggregating approximately 876 acres of land. These totals include the Wausau plant (143,000 sq. ft. on 77 acres) and the Wichita plant (130,000 sq. ft. on 7 acres). The buildings are, for the most part, of brick, concrete or brick and steel construction and are, in the opinion of Case, generally suitable and adequate for its operations. The principal buildings range in age from three years to 64 years, seven having been built before 1921. All of the plants are located on or near principal highways and all except the Transmission plant are served by one or more railroads.

Case has recently commenced the construction of a 280,000 square foot central parts warehouse on land owned by it near the Transmission plant; this warehouse will replace various dispersed and physically unsatisfactory storage facilities now being used in the Racine area. The Wausau and Wichita plants are being expanded by the addition of 60,000 and 27,000 square feet of floor space, respectively. On the basis of present production plans, the Burlington plant, which contains a total of approximately 450,000 square feet, will require substantial expansion during 1970 or 1971.

A Case plant at Vierzon, France (550,000 sq. ft. on 18.8 acres) manufactures tractors, backhoes, industrial wheel loaders and balers and a Case plant at Leeds, England (104,000 sq. ft. on 5.5 acres) assembles crawler tractors. A small manufacturing plant located at Murray Bridge, South Australia, manufactures plows, combine headers and other agricultural implements and another plant at Northmead, New South Wales, Australia, assembles agricultural tractors and combines. A small manufacturing plant recently opened at Munich, Germany, assembles small loaders and trenching equipment.

Case's manufacturing plants are substantially fully utilized, with the exception of three plants. The Bettendorf Plant (1,410,000 sq. ft.), Rockford Plant (1,370,000 sq. ft.) and Terre Haute Plant (630,000 sq. ft.) are operating at approximately 50%, 60% and 75%, respectively, of capacity.

Case owns 19 and leases three of its 22 regional and branch sales facilities. The facilities, most of which include warehouse space as well as office space, have an aggregate floor area of approximately 1,400,000 square feet. Seven warehouses at other field locations contain about 310,000 square feet of floor space.

Nearly all of Case's 127 retail stores are leased. Although most of the leases contain renewal options, many are of relatively short duration (e.g., 3 years, including renewal options) and very few contain purchase options. However, Case has experienced little difficulty in negotiating satisfactory new leases as its store leases have expired and does not consider any of its existing leased stores to be irreplaceable.

Two of the domestic plant properties are subject to mortgages totaling approximately $1,874,000 and five sales facilities are subject to mortgages aggregating about $1,818,000.

Materials and Supplies

Steel, pig iron, and cast and steel scrap are the most important raw materials used by Case. Case produces or fabricates many of the parts entering into the manufacture of its products. The principal items it purchases from others are tires and tubes, torque converter drives, clutches, hydraulic components, forgings, fuel injection equipment, rubber belts, tractor radiators, wheel rims, bearings, chains, certain electrical equipment such as generators, starting motors and batteries, disc blades for plows and harrows, substantially all of its engine requirements for Drott and Davis products, and a portion of its engine requirements for balers and combines.

Case produces in its own foundry the majority of its normal requirements of grey iron castings. Case manufactures virtually all its engine requirements for its agricultural tractors and produces a substantial part of the engine requirements for the larger models of combines and hay balers. Case also produces its engine requirements for industrial wheel tractors and crawler tractors.

Sales Financing

J. I. Case Credit Corporation ("Case Credit") finances purchases and leases of Case agricultural and construction equipment by Case dealers and their customers. It also finances equipment of other manufacturers attached to or sold and used with Case products, as well as used equipment of any make traded against the purchase of new Case equipment. Banks and other financing institutions also finance Case dealers and their customers in their purchase of Case equipment. Case Credit operates through Case's sales offices in the United States and Canada.

The wholesale notes receivable resulting from floor plan financing of Case sales to dealers, and retail receivables resulting from installment paper accepted by Case Credit on the sale by Case dealers of new and used equipment, are secured by reservation of title or by liens perfected under applicable laws.

In the case of sales to dealers, Case follows industry practice in generally not requiring down-payments and in not charging interest on wholesale notes prior to maturity. The maturity dates range from 8 to 22 months after issuance of the notes, depending upon various factors; but such notes mature in any event upon the retail delivery of the equipment. A financing charge is made by Case Credit to Case based on the amount of wholesale receivables outstanding at specified times.

Minimum down-payments ranging from 20% to 35% are generally required by dealers and Case's stores in connection with retail sales. Retail receivables on new equipment are taken without recourse to the dealer, but a reserve account or discount is provided by or charged to the dealer for losses. Retail receivables on used equipment are taken with recourse to the dealer. Maximum maturities are presently 48 months on certain types of equipment.

Refinancing in 1964-1965

During the 1960, 1961 and 1962 fiscal years Case suffered losses totaling $70,500,000. As a result of the losses in 1960 Case stopped paying dividends on its 7% Cumulative Preferred Stock, par value $100 per share, and 6½% Second Cumulative Preferred Stock, par value $7 per share.

Following the acquisition by Kern County Land Company ("Kern") of approximately 51% of the outstanding Common Stock of Case in May, 1964, Case initiated a refinancing program designed to strengthen its financial position, which had been seriously weakened by the 1960-1962 losses. In August, 1964, Case and Case Credit sold in private transactions various notes and subordinated notes aggregating approximately $89,000,000 principal amount, including $31,700,000 principal amount 5% Subordinated Notes to Kern. The proceeds to Case Credit were used to liquidate a loan from Case. Case applied the proceeds (including the loan repayment by Case Credit) to repay approximately $69,500,000 in bank loans which were to mature in October, 1964 and to redeem approximately $18,100,000 of Case's 5½% Subordinated Debentures due 1983.

A rights offering by Case to the holders of its Common Stock in September, 1964, resulted in the issuance of 788,834 additional shares of Common Stock. The proceeds of the offering, approximately $13,800,000, were applied to reduce the principal amount of 5% Subordinated Notes held by Kern.

Although the foregoing transactions strengthened its financial position, Case remained unable to pay dividends on its 7% Preferred Stock and 6½% Second Preferred Stock. Dividend arrearages on these classes of stock aggregated approximately $5,240,000 at February 18, 1965, the date of Case's 1965 Annual Meeting of Stockholders.

At the 1965 Annual Meeting of Stockholders a Plan of Recapitalization was approved by the stockholders of Case. Pursuant to the Plan, (i) the 92,906 shares of outstanding 7% Preferred Stock and the 1,198,895 shares of outstanding 6½% Second Preferred Stock, including the dividend arrearages on each class, were reclassified into 383,499 shares of Common Stock and approximately $20,000,000

principal amount 5½% Subordinated Debentures due 1990, and (ii) a new class of 200,000 shares of 5¾% Cumulative Preferred Stock, par value $100 per share, redeemable at Case's option was sold to Kern in consideration of $2,100,000 in cash and the cancellation of the $17,900,000 principal amount 5% Subordinated Notes held by Kern.

Employees

At July 31, 1969 Case had approximately 12,800 employees in the United States and Canada, including 9,300 in the plants, 2,500 in the sales branches and retail stores and 1,000 in the central office. The great majority of the hourly-paid plant employees are represented by the UAW and are covered under a 3-year labor agreement which expires on December 31, 1969; such labor agreement provides not only for automatic annual wage increases but also for cost of living wage adjustments. Negotiations for a new labor agreement will begin in October, 1969. Case has had no significant work stoppages since 1960 and considers its employee relations to be satisfactory.

Case has approximately 1,600 employees outside of the United States and Canada.

The hourly-paid employees and salaried employees in the United States and Canada are covered under separate funded pension plans which were adopted in 1967, replacing a single unfunded plan which had previously covered all employees. Pension costs in 1969 and future years required to recognize current service costs on a sound actuarial basis and to amortize past service costs over periods ranging from twenty-five to forty years are expected to be approximately $8,500,000 annually on a pre-tax basis, based upon current employment levels, service and compensation.

Transactions With Tenneco Inc.

Case has paid Tenneco Inc. $10,000 per month beginning in July, 1968, for administrative and other general services rendered to it by Tenneco Inc. It is contemplated that Case will continue to receive such services.

Apart from the foregoing payments, during the 1968 fiscal year Case and its subsidiaries paid Tenneco Inc. and its direct and indirect subsidiaries amounts totaling approximately $178,000 with respect to purchases of products, engineering services and other items. During the same period Case received amounts totaling approximately $156,000 from Tenneco Inc. and its direct and indirect subsidiaries in connection with their purchase of Case products and services. All of such transactions between Case and its subsidiaries and Tenneco Inc. and its direct and indirect subsidiaries were in the normal course of the parties' respective businesses. Mr. Simon Askin and Mr. Gardiner Symonds, officers and directors of Tenneco Inc., are also directors of Case. Mr. N. W. Freeman, an officer and director of Tenneco Inc., serves as Chairman of the Board of Case. Mr. L. C. Ackerman, a Vice President of Tenneco Inc., is a director of Case. Mr. J. L. Ketelsen, President and a director of Case, and Messrs. Ackerman, Askin, Freeman and Symonds are directors of Walker Manufacturing Company, the Tenneco Inc. subsidiary from which the largest dollar volume of purchases was made by Case and its subsidiaries.

In September, 1967, Case received a $10,000,000 loan from Tenneco Corporation. The loan was repaid in February, 1968. The loan bore interest at the rate of 6½% per annum and was evidenced by Case's Subordinated Note due in February, 1969.

In December, 1967, Case offered to the holders of its outstanding Common Stock the right to subscribe for one additional share for each three shares held at a price of $15 per share. In connection therewith, Tenneco Corporation and KCL Corporation agreed to purchase, at the subscription price, all shares which KCL Corporation was entitled to subscribe for as a shareholder of Case (788,753 shares) as well as all shares not subscribed for by the other Case shareholders. Tenneco Corporation acquired an aggregate of 828,050 shares pursuant to such agreement, which shares were subsequently transferred to KCL.

STATEMENT OF CONSOLIDATED INCOME OF J. I. CASE COMPANY

The following statement of income of J. I. Case Company and consolidated subsidiary companies has been examined by Haskins & Sells, independent certified public accountants, for the four years ended October 31, 1968 and for the nine months ended July 31, 1968 and 1969 and by Price Waterhouse & Co., independent certified public accountants, for the year ended October 31, 1964, and their opinions with respect thereto appear elsewhere in this Prospectus. This statement should be read in conjunction with the other financial statements and notes thereto of both J. I. Case Company and consolidated subsidiary companies and J. I. Case Credit Corporation included elsewhere in this Prospectus.

(Expressed in thousands)

	Year Ended October 31,					Nine Months Ended July 31,(A)	
	1964	1965	1966	1967	1968	1968	1969
Net sales	$224,186	$279,487	$336,122	$353,806	$357,504	$262,176	$291,564
Cost and expenses:							
Cost of goods sold	173,088	220,985	262,895	286,198	284,839	209,308	230,183
Selling, general and administrative expenses	32,984	38,876	44,692	48,872	50,947	36,508	44,819
	206,072	259,861	307,587	335,070	335,786	245,816	275,002
Income from operations	18,114	19,626	28,535	18,736	21,718	16,360	16,562
Other (charges) and credits:							
Finance and other charges from J. I. Case Credit Corporation	(8,417)	(10,627)	(13,897)	(18,708)	(21,273)	(15,788)	(17,665)
Interest on long-term debt	(2,238)	(3,590)	(3,538)	(3,826)	(4,696)	(3,404)	(3,586)
Other interest expense (C)	(1,127)	(896)	(2,279)	(2,518)	(2,377)	(1,528)	(2,323)
Income of J. I. Case Credit Corporation before taxes on income and, in 1968, contingent compensation to banks	5,906	6,046	6,208	9,324	10,973	7,902	7,457
Interest earned on subordinated notes of J. I. Case Credit Corporation	1,012	—	—	168	324	240	359
Other interest income	678	893	894	1,281	1,675	1,118	1,449
Gain on purchase of 3½% sinking fund debentures for retirement	207	190	344	172	140	138	258
Amortization of "Excess of Cost of Assets Acquired Over Assigned Value Thereof"	(700)	(700)	(700)	(700)	(700)	(525)	(525)
Miscellaneous—net	979	239	301	784	(52)	(372)	(1,241)
	(3,700)	(8,445)	(12,667)	(14,023)	(15,986)	(12,219)	(15,817)
Income before taxes on income and extraordinary items	14,414	11,181	15,868	4,713	5,732	4,141	745
Provision for taxes on income (including amounts for J. I. Case Credit Corporation) and related charge:							
Federal (B):							
Charge equivalent to tax reduction from:							
Net operating loss carryovers	6,297	4,400	7,000	600	—	—	—
Contingent compensation to banks deducted as extraordinary item below	—	—	—	—	1,110	1,035	—
Debit (credit) for deferred income tax	—	—	(2,800)	(50)	220	—	(595)
State and foreign	1,255	440	1,356	1,082	1,371	921	982
	7,552	4,840	5,556	1,632	2,701	1,956	387
Income before extraordinary items	6,862	6,341	10,312	3,081	3,031	2,185	358

	(Expressed in thousands)						
	Year Ended October 31,					Nine Months Ended July 31,(A)	
	1964	1965	1966	1967	1968	1968	1969
Extraordinary items (B):							
Credit equivalent to tax reduction from net operating loss carry-overs	6,297	4,400	7,000	600	—	—	—
Provision for (loss) on devaluation of British Pound Sterling	—	—	—	(338)	—	—	—
Credit for deferred income tax not previously provided	—	—	—	—	1,586	1,147	—
Contingent compensation to banks of $2,135,334, less credit equivalent to tax reduction of $1,110,374 (C)	—	—	—	—	(1,025)	(994)	—
	6,297	4,400	7,000	262	561	153	—
Net income (B and D)	$ 13,159	$ 10,741	$ 17,312	$ 3,343	$ 3,592	$ 2,338	$ 358
Net income (loss) applicable to Common Stock (E)	$ 11,963	$ 9,606	$ 16,162	$ 1,819	$ 1,809	$ 1,001	$ (979)
Weighted average number of common shares (E)	2,989	4,192	4,372	4,397	5,663	5,594	5,920
Earnings per share of Common Stock (E):							
Income (loss) before extraordinary items	$1.89	$1.24	$2.10	$.35	$.22	$.15	$(.17)
Extraordinary items	2.11	1.05	1.60	.06	.10	.03	—
Net income (loss)	$4.00	$2.29	$3.70	$.41	$.32	$.18	$(.17)

NOTES TO STATEMENT OF CONSOLIDATED INCOME OF J. I. CASE COMPANY

(A) It has been the consistent practice of Case at interim reporting dates to include in the consolidated financial statements the accounts of its foreign subsidiaries as of one month prior to the date of the consolidated financial statements. The statement of consolidated income for the nine months ended July 31, 1968 and 1969 includes the accounts of Case's foreign subsidiaries for the eight months ended June 30, 1968 and 1969, respectively.

Since January 1, 1968 and November 12, 1968 Case has been operating the facilities of Drott Manufacturing Corporation (a wholly-owned subsidiary of Tenneco Corporation) and Davis Manufacturing, Inc. (a wholly-owned subsidiary of Tenneco Inc.), respectively, under seven year operating agreements which require annual rentals of \$600,000 and \$670,000 to \$1,150,000, respectively. Sales, costs and expenses from these operations have been included in the accompanying financial statements since the respective dates of these operating agreements. See "Business and Property of Case" herein for further explanation of the terms and annual payments required under these operating agreements.

In 1968, the consolidated financial statements were prepared for the first time to include the accounts of Case's French subsidiaries. Amounts previously reported for 1967 and the prior years have been revised and the financial statements restated to maintain comparability. This change had no effect on net income for 1967 or the prior years shown.

(B) No current liability for U. S. Federal income taxes was provided for the five years ended October 31, 1968 because of available net operating loss carry-overs and foreign tax credit carry-overs. No current liability for U. S. Federal income taxes was provided for the nine months ended July 31, 1969 because a net operating loss would be experienced if a tax return was filed for this period. The deferred income tax credit for this period results from an intra period tax allocation of the effect of the net operating loss. Case is of the opinion that the final quarter of its fiscal year will require a tax provision which will more than offset the credit for the nine months ended July 31, 1969.

U. S. Federal income taxes payable in the years 1969 through 1975 may be reduced by investment credit carry-overs of approximately \$3,100,000 and foreign tax credit carry-overs of approximately \$1,400,000. Reference is made to the paragraph on page 13 following the "Statement of Consolidated Income of Tenneco Inc.," concerning certain pending legislation.

Case is contesting certain adjustments proposed by the Internal Revenue Service applicable to examination of the years 1957 through 1960. Final settlements have been made for all years prior to 1957. It is not anticipated that any significant assessments of additional U. S. Federal taxes on income for these years will be payable.

In years prior to 1968, Case provided for pension costs on a net of tax basis and provided for deferred income tax resulting from the use of accelerated depreciation for tax purposes only. In 1968 Case adopted comprehensive tax allocation in accordance with the recommendations of the Accounting Principles Board of the American Institute of Certified Public Accountants, and accordingly, deferred the tax on timing differences relating to accruals for discounts, allowances and other accruals and reserves. This change had the effect of increasing income by approximately \$2,100,000 which was substantially offset by the effect of an unrelated nonrecurring charge of \$2,135,334 for contingent compensation payable to banks (see Note C).

The statement of consolidated income for 1966 and 1967 has been restated (1) to increase pension expense for \$2,800,000 in 1966 and for \$800,000 in 1967 representing the applicable timing difference on pension expense previously reported on a net of tax basis, and (2) to include such amounts in the provision for taxes on income for the respective years.

(C) On December 28, 1961, Case and J. I. Case Credit Corporation entered into a Credit Agreement with a group of banks which, among other things, reduced the interest rates on the companies' indebtedness to the banks for the period December 29, 1961 to October 31, 1964. During the fiscal years 1962, 1963 and 1964 the interest rate was 1%, 1½%, and 2%, respectively. The companies also agreed to pay, as contingent compensation for these borrowings, an amount equal to 50% of consolidated net earnings (including the net earnings of J. I. Case Credit Corporation), if any, before taxes for the fiscal years 1968 through 1972, inclusive, until the cumulative amount so paid equalled interest at 5% per annum on the loans outstanding during the period from December 29, 1961 to October 31, 1964.

On August 18, 1964 the amounts then due to the banks were paid in full, and the banks waived the contingent compensation of \$10,409,000 applicable to the borrowings of J. I. Case Company. Contingent compensation of \$2,135,334 applicable to the borrowings of J. I. Case Credit Corporation was not waived and a provision for this amount, less credit equivalent to tax reduction of \$1,110,374, was charged against earnings in 1968 and the amount has now been paid in full.

(D) See Note 7 to the financial statements of J. I. Case Company and consolidated subsidiary companies for information regarding the change in method of accounting for pension costs in 1966.

(E) Dividend requirements on outstanding preferred stock, whether paid or unpaid, have been deducted in each period to determine net income (loss) applicable to Common Stock.

The computation of earnings per share is based on the weighted average number of shares of Common Stock outstanding during the respective periods. Neither the consideration of stock options as a common stock equivalent, nor the assumed conversion of the Series A Stock would have a dilutive effect on earnings per share of Common Stock.

Operating results for the nine months ended July 31 are not necessarily indicative of earnings for the full fiscal year ending October 31 since historically Case has earned a substantial portion of its total fiscal year earnings in the months of September and October.

Case normally experiences a net operating loss in August due to lower sales volume occasioned by annual vacations and shut-downs of all Case manufacturing plants during that month. In August 1969 Case incurred a net loss of approximately $5,770,000 which is substantially in excess of the losses which have usually occurred during the month of August. The loss in August 1969 resulted primarily from high start-up costs relating to Case's new tractor line and limited production and, accordingly, insignificant sales of new tractors during such month. Case believes that the major start-up problems have been overcome, although some start-up costs are expected to continue at least through October 1969.

The substantial decline of consolidated net income during the two years and nine months ended July 31, 1969 is attributable principally to (i) the buildup in 1966 of dealer inventories from the excess of wholesale sales to dealers over retail sales by dealers to customers which necessitated reducing production schedules and sales to dealers since 1966 at the time when the agricultural equipment industry as a whole was experiencing a significant decline in sales, (ii) substantially increased pension costs resulting from the adoption of a funded pension program and the recognition of substantial unfunded pension costs under prior pension programs, (iii) start-up and rearrangement costs relating to new plants and production facilities (including costs and expenses in connection with the introduction of the new tractor line) and (iv) higher interest rates paid during such period.

Case has not declared or paid dividends on Common Stock since 1954 (see the subcaption "Dividend Rights" under the caption "Description of Common Stock and Series A Preferred Stock of Case"). Case did not declare or pay dividends on its former 7% Cumulative Preferred Stock or 6½% Second Cumulative Preferred Stock during the period from October 1, 1960 to February 18, 1965, the date such preferred stocks (including dividend arrearages) were reclassified into 5½% Subordinated Debentures Due 1990 or Common Stock (see the subcaption "Refinancing in 1964-1965"). Case has paid dividends on the 5¾% Preferred Stock for the period from the issue date, February 25, 1965, through July 31, 1969 and on the Series A Preferred Stock from the issue date, March 27, 1967, through July 31, 1969.

DESCRIPTION OF COMMON STOCK AND SERIES A PREFERRED STOCK OF CASE

The authorized capital stock of Case, as provided in its Articles of Association as amended (hereinafter referred to as the "Articles of Association"), consists of 11,400,000 shares, divided into 200,000 shares of 5¾% Cumulative Preferred Stock, par value $100 per share ("5¾% Preferred Stock"), 1,200,000 shares of Cumulative Second Preferred Stock, par value $1 per share ("Second Preferred Stock"), and 10,000,000 shares of Common Stock, par value $1 per share ("Common Stock"). The Articles of Association provide that by action of Case's Board of Directors the Second Preferred Stock may be issued from time to time in one or more series. Subject to the provisions of the Articles of Association, the Board of Directors may fix the relative rights, preferences and limitations of each series. The only series of Second Preferred Stock which has been issued to date is the $1.44 Convertible Series A ("Series A Preferred Stock"), and the Board of Directors is not presently considering the issuance of any other series of Second Preferred Stock. There are presently issued and outstanding 200,000 shares of 5¾% Preferred Stock, 439,467 shares of Series A Preferred Stock, and 6,021,265 shares of Common Stock.

The following is a brief description of the rights, preferences and limitations of the Series A Preferred Stock and the Common Stock as set forth in the Articles of Association or affected by the provisions of indentures and loan agreements to which Case is a party.

Dividend Rights

Subject to the prior rights of the holders of the 5¾% Preferred Stock to receive cumulative dividends at the annual rate of $5.75 per share, the holders of Second Preferred Stock are entitled to receive, when and as declared by the Board of Directors out of any funds legally available therefor, cumulative preferential dividends in cash at the rate per annum fixed for the respective series. Cumulative dividends are payable quarterly on the Series A Preferred Stock at the annual rate of $1.44 per share, when and as declared by the Board of Directors. There have been no dividend arrearages on either the 5¾% Preferred Stock or the Series A Preferred Stock since the shares of each class were issued.

Subject to the prior rights of the holders of the 5¾% Preferred Stock and of any series of Second Preferred Stock, such dividends as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time out of any funds legally available therefor.

So long as any of the 5¾% Preferred Stock is outstanding, Case may not declare or pay any dividends (other than dividends payable in stock ranking junior to the 5¾% Preferred Stock) or make any distribution on any class of stock of Case ranking junior to the 5¾% Preferred Stock or redeem, purchase or otherwise acquire, or permit any subsidiary to purchase or otherwise acquire, any shares of any such junior class if at the time of any such declaration, payment, distribution, redemption, purchase or acquisition Case shall be in arrears with respect to any dividend payable on, or any obligation to retire, shares of 5¾% Preferred Stock; provided, however, that Case may at any time redeem, purchase or otherwise acquire shares of any such junior class in exchange for, or out of the net cash proceeds from the sale of, other shares of stock of any such junior class.

Subject to certain conditions and limitations, Case must set aside in each year, commencing with 1972 and continuing until all shares of 5¾% Preferred Stock have been redeemed, a sum for the mandatory redemption of shares of such class. Such annual sum is to be sufficient to redeem not less than 3,000 nor more than 6,000 shares of 5¾% Preferred Stock at $100 per share plus accrued and unpaid dividends, and is to be applied promptly to the redemption of such shares. The obligation of Case to set aside such sum in each year, and the amount actually set aside in each year, are dependent upon Case's realization of certain earnings during the preceding year and the ability of Case to set aside a sum for the redemption of 5¾% Preferred Stock without violating provisions of certain indentures and loan agreements.

So long as any of the Second Preferred Stock is outstanding, Case may not declare or pay any dividends (other than dividends payable in stock ranking junior to the Second Preferred Stock) or make any distribution on any class of stock of Case ranking junior to the Second Preferred Stock or redeem, purchase or otherwise acquire, or permit any subsidiary to purchase or otherwise acquire, any shares of any such junior class if at the time of any such declaration, payment, distribution, redemption, purchase or acquisition Case shall be in arrears with respect to any dividend payable on, or any obligation to retire, shares of Second Preferred Stock; provided, however, that Case may at any time redeem, purchase or otherwise acquire shares of any such junior class in exchange for, or out of the net cash proceeds from the sale of, other shares of stock of any such junior class.

Under the terms of the Indenture dated February 1, 1953, as amended, between Case and Manufacturers Hanover Trust Company, Successor Trustee, under which Case's 3½% Debentures, due February 1, 1978 were issued, Case may not declare any dividend (except dividends payable in shares of its capital stock) on any shares of its 5¾% Preferred Stock, Second Preferred Stock or Common Stock, or make any distributions (except distributions payable in shares of its capital stock) in respect of, or purchase, redeem or acquire for a consideration (other than a consideration consisting of shares of its capital stock), or permit any subsidiary to purchase or acquire for a consideration (other than a consideration consisting of shares of capital stock of Case) any shares of its 5¾% Preferred Stock, Second Preferred Stock or Common Stock, if (a) immediately after any such dividend or other payment in respect of Second Preferred Stock or Common Stock the aggregate of all such dividends and other payments with respect to all classes of Case stock subsequent to October 31, 1952 would exceed the aggregate of the net income of Case from November 1, 1952 to the date of such dividend or other payment, plus $10,000,000, plus any net consideration received by Case after October 31, 1952 with respect to the issue of any of its capital stock, or (b) immediately after any such dividend or other payment in respect of 5¾% Preferred Stock the aggregate of all dividends and other payments with respect to all classes of Case stock subsequent to October 31, 1964 would exceed the aggregate of the net income of Case from November 1, 1964 to the date such dividend or other payment plus any net consideration (with certain exceptions) received by Case after October 31, 1964 with respect to the issue of any of its capital stock.

Under the terms of loan agreements relating to Case's 5¼% Promissory Notes Due 1969-1984, Case may not declare any dividend (other than dividends payable in stock of Case) or make any payment or other distribution on account of the purchase, redemption or other retirement or acquisition of any shares of its stock, unless after giving effect to such dividend, payment or other

distribution: (a) the consolidated net working capital (as defined in said loan agreements) of Case and certain subsidiaries is at least \$45,000,000 or 150% of the consolidated senior funded indebtedness (as defined in said loan agreements) of Case and such subsidiaries, whichever is less; and (b) the consolidated net income (as defined in said loan agreements, which definition excludes unremitted net income of foreign and finance subsidiaries) of Case and such subsidiaries subsequent to April 30, 1964 exceeds the sum of all such dividends, payments and other distributions declared or paid plus all payments of principal of any subordinated indebtedness made subsequent to April 30, 1964, plus the amount by which investments (as defined in said loan agreements) by Case and such subsidiaries in foreign and finance subsidiaries and in persons other than subsidiaries exceeds the total of (i) \$37,500,000 and (ii) any excess of proceeds realized from the sale of shares of stock of Case subsequent to April 30, 1964 over amounts applied subsequent to April 30, 1964 to the substantially concurrent retirement of other shares of stock and of subordinated funded indebtedness. The transactions effected pursuant to the Plan of Recapitalization described in "Business and Property of Case — Refinancing in 1964-1965" are excluded (with minor exceptions) from calculations pursuant to this restriction.

Under the terms of the Indenture dated February 1, 1965 between Case and First National City Bank, Trustee, under which Case's 5½% Subordinated Debentures Due 1990 are issued, Case may not declare or pay any dividends (except dividends payable in shares of its capital stock) on, or make any distributions (except distributions payable in shares of its capital stock) in respect of, or purchase, redeem or acquire for a consideration (other than a consideration consisting of shares of its capital stock) or permit any subsidiary to purchase or acquire for a consideration (other than a consideration consisting of shares of capital stock of Case) any shares of capital stock of Case if, after giving effect to such action, the aggregate of all payments and distributions for such purposes subsequent to April 1, 1965 shall exceed the sum of (i) \$5,000,000 plus (ii) the consolidated net income of Case (including the equity of Case in the income of J. I. Case Credit Corporation and any other finance subsidiary) earned subsequent to October 31, 1964 plus (iii) the net consideration received by Case subsequent to March 31, 1965 from the sale of shares of its stock.

Under the most restrictive provision described in the three preceding paragraphs, \$5,946,000 would have been available on July 31, 1969 for dividends on 5¾% Preferred Stock, Second Preferred Stock and Common Stock.

Voting Rights

The holders of the Common Stock and Second Preferred Stock are entitled to one vote for each share held.

In addition, whenever there are dividend arrearages on the Second Preferred Stock in an amount equal to six full quarterly dividends on all outstanding shares of such class, the holders of the Second Preferred Stock, voting as a class, are entitled to elect two directors until such time as all unpaid dividends accumulated on the Second Preferred Stock have been paid in full. The holders of 5¾% Preferred Stock do not have general voting power, but, whenever there are dividend arrearages on the 5¾% Preferred Stock in an amount equal to six full quarterly dividends on all outstanding shares of such class, the holders of the 5¾% Preferred Stock, voting as a class, are entitled to elect two directors until such time as all unpaid dividend accumulated on the 5¾% Preferred Stock have been paid in full. No holder of any capital stock of Case has any cumulative voting rights.

Redemption Rights

Subject to the restrictions described above under "Dividend Rights", Case may at its option redeem all or any series of the Second Preferred Stock, in whole or in part, at any time or from time to time, at such redemption price per share as may be fixed in the resolution of the Board of Directors providing for issuance of the relevant series plus an amount equal to all accrued and unpaid dividends. The redemption price per share of the Series A Preferred Stock is \$26.25 in the case of any redemption prior to April 30, 1971. The redemption price declines \$.25 per share on April 30 in each of the years 1971, 1973, 1975, 1977 and 1979 to \$25.00 on April 30, 1979.

Liquidation Rights

Before any distribution may be made to the holders of Second Preferred Stock or the holders of Common Stock upon any liquidation of Case, the holders of the 5¾% Preferred Stock are entitled to receive, in the case of voluntary liquidation, an amount equal to the optional redemption price per share applicable to the 5¾% Preferred Stock at the time of such voluntary liquidation (which is presently $105 per share and which declines in steps to $100 per share on April 30, 1984) and, in the case of involuntary liquidation, $100 per share, plus in the case of any liquidation an amount equal to all accrued and unpaid dividends, whether or not earned or declared. Before any distribution may be made to the holders of Common Stock upon any liquidation of Case, the holders of Second Preferred Stock are entitled to receive such amount as shall have been fixed in the resolution or resolutions of the Board of Directors providing for the issuance of the relevant series plus an amount equal to all accrued and unpaid dividends, whether or not earned or declared. The amount fixed for the Series A Preferred Stock is, in the case of voluntary liquidation, an amount equal to the redemption price per share applicable at the time of such voluntary liquidation and, in the case of involuntary liquidation, $25 per share.

The Common Stock, in the event of any liquidation, dissolution or winding-up of the affairs of Case, is entitled to receive pro rata the assets of Case remaining after satisfaction of corporate liabilities and the prior rights of the 5¾% Preferred Stock and Second Preferred Stock.

Conversion Rights

In creating any series of Second Preferred Stock, the Board of Directors may establish terms and conditions upon which the shares of such series shall be convertible into other securities of Case. Pursuant to the Board of Directors' resolution creating the Series A Preferred Stock each share of Series A Preferred Stock was initially convertible into one share of Common Stock of Case, subject to adjustment in certain instances designed to protect the conversion privilege against dilution. As a result of the operations of the anti-dilution provisions, each share of Series A Preferred Stock was convertible into 1.112 shares of Common Stock as of September 8, 1969.

No adjustment of the conversion price is made in connection with the issuance of (i) shares of Common Stock upon conversion of shares of Series A Preferred Stock, (ii) up to 150,000 shares of Common Stock under any stock option or other employee benefit plan, or (iii) shares of Common Stock issued to acquire a going concern business, whether by merger or consolidation or other combination or by an acquisition of all or substantially all the stock or assets of such business. Upon any conversion, no allowance is made for dividends on either the Series A Preferred Stock or the Common Stock and a cash sum is payable to the holder in lieu of any fractional share of Common Stock to which he would otherwise be entitled by reason of the conversion.

Preemptive Rights

The holders of Common Stock have preemptive rights to subscribe for additional shares of Common Stock and securities convertible into or entitling the holder to purchase Common Stock, with such exceptions as exist under the law of the State of Wisconsin or as are provided in the Articles of Association. Pursuant to the Articles of Association, there are reserved free from preemptive rights (a) such number of shares of Common Stock as may be required to be issued upon the exercise of stock options granted pursuant to any stock option plans of Case, (b) unissued shares of Common Stock which may be issued or sold in connection with the acquisition of assets, stock or securities of another firm, person or corporation on terms determined by the Board of Directors, and (c) shares of Common Stock issuable upon the conversion of shares of Second Preferred Stock. The holders of Common Stock have no preemptive rights to subscribe for shares of 5¾% Preferred Stock or shares of Second Preferred Stock, except that they have preemptive rights to subscribe for shares of Second Preferred Stock of any series which is convertible into Common Stock and sold for cash. The holders of 5¾% Preferred Stock and Second Preferred Stock have no preemptive rights.

Miscellaneous

The Transfer Agents for the Series A Preferred Stock and the Common Stock are Morgan Guaranty Trust Company of New York, New York, New York, and Houston National Bank, Houston, Texas, and the Registrars for the Series A Preferred Stock and the Common Stock are Bankers Trust Company, New York, New York, and First City National Bank of Houston, Houston, Texas. The Series A Preferred Stock and the Common Stock are listed on the New York Stock Exchange.

The outstanding Common Stock and Series A Preferred Stock of Case are validly issued and outstanding and fully paid and non-assessable.

LITIGATION — CASE

There was filed on November 13, 1956 in the United States District Court for the Eastern District of Wisconsin an action against Case and others by a stockholder, Carl H. Borak, seeking to prevent the merger with American Tractor Corporation ("ATC"). The action as now amended seeks (i) judgment against the directors of Case who approved the merger, certain of the former stockholders of ATC and such other defendants as may be found responsible for the merger and alleged deprivation of preemptive rights of stockholders of Case as a result of the merger, (ii) a decree directing Case to issue to the plaintiff and all other stockholders of Case similarly situated, and their successors in interest, securities to compensate them for the alleged violation of their preemptive rights, (iii) judgment that Case's proxy statement used in connection with the merger was false and misleading and that therefore the merger and all agreements pursuant thereto are void under provisions of the Securities Exchange Act of 1934, and (iv) judgment for damages growing out of alleged violations of provisions of said Act. The action is presently in trial with the plaintiff having presented substantially all of his evidence as to the asserted claims. It is the opinion of Whyte, Hirschboeck, Minahan, Harding & Harland S. C. that the action against Case will be successfully defended. Case may, however, be liable for certain legal expenses of other defendants incurred in connection with defense of the action.

In March, 1969, an action was commenced by a stockholder of Case for the benefit of Case in the Court of Chancery in the State of Delaware in and for New Castle County against Tenneco Inc., Tenneco Corporation, KCL Corporation and Case, with the directors of Case also being named as defendants. The Complaint alleges in substance that certain transactions and arrangements between Case and/or its subsidiaries, on the one hand, and Tenneco Inc. and/or its direct and indirect subsidiaries, on the other hand, are unfair to Case. The transactions and arrangements objected to are monthly payments by Case to Tenneco Inc. for administrative and other general services; purchases of products, engineering services and other items by Case and its subsidiaries from Tenneco Inc. and its subsidiaries; and the operating agreements existing between Case and Drott Manufacturing Corporation and Davis Manufacturing, Inc. The action seeks to hold the corporate defendants, other than Case, accountable for the allegedly excessive sums they caused Case to pay to them and their subsidiaries and to hold the individual defendants personally liable for permitting such allegedly excessive payments to be made. In April, 1969, this stockholder instituted a substantially identical action in the Supreme Court of the State of New York for New York County, except that Tenneco Corporation and KCL Corporation are not defendants in such New York action. In March, 1969, a generally similar action was brought in the United States District Court for the District of Delaware by another stockholder of Case against Tenneco Inc., Tenneco Corporation, KCL Corporation and Case, with ten of the present directors and three former directors of Case also being named as defendants. The Complaint alleges in substance that the acquisition by Tenneco Corporation and Tenneco Inc. of all of the outstanding capital stock of Drott Manufacturing Corporation and Davis Manufacturing, Inc. deprived Case of a corporate opportunity belonging to it and that the operating agreements existing between Case and Drott and Davis, respectively, and the monthly payments made by Case to Tenneco Inc. for administrative and other general services are unfair to Case. The action seeks to have the outstanding shares and businesses of Drott and Davis declared to be the property of Case and to hold the defendants jointly and severally accountable to Case for the corporate defendants' profits and Case's losses allegedly resulting from the transactions complained of. In the opinions of Charles S. Taylor, Jr., Esq., Associate Counsel for Tenneco Inc. and Edward J. Harrison, Esq., General Counsel of Case, each of these actions is without merit and will be successfully defended.

OPINIONS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS — CASE

The Stockholders and Board of Directors of
J. I. CASE COMPANY:

We have examined the statement of financial condition of J. I. Case Company and consolidated subsidiary companies as of July 31, 1969 and the related statements of earnings retained and capital in excess of par value for the three years and nine months then ended. We have also examined the statements of consolidated income of J. I. Case Company and consolidated subsidiary companies for the four years ended October 31, 1968 and the nine months ended July 31, 1968 and July 31, 1969 and the statement of financial condition of the Company's non-consolidated finance subsidiary, J. I. Case Credit Corporation, as of July 31, 1969 and the related statement of income and earnings retained for the three years and nine months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the financial position of the companies at July 31, 1969 and the results of their operations for the above-stated periods, in conformity with generally accepted accounting principles applied (except for the change, which we approve, during the year ended October 31, 1966, in the method of accounting for pension costs of J. I. Case Company as explained in Note 7 to consolidated financial statements and during the year ended October 31, 1968 in the method of accounting for income taxes of J. I. Case Company as explained in Note 13 to consolidated financial statements) on a consistent basis (after restatements of the statement of consolidated income of J. I. Case Company and consolidated subsidiary companies for the three years ended October 31, 1967 and for the nine months ended July 31, 1968 as explained in Notes 2 and 13 to consolidated financial statements).

HASKINS & SELLS

Chicago, Illinois
September 12, 1969

To the Stockholders and Board of Directors of
J. I. CASE COMPANY:

In our opinion, the "Statement of Consolidated Income of J. I. Case Company" included in this Prospectus, insofar as it relates to the year ended October 31, 1964, presents fairly the results of operations of J. I. Case Company and consolidated subsidiary companies for the year ended October 31, 1964, restated with respect to consolidation of the accounts of the French subsidiaries as explained in Note A to the Statement of Consolidated Income, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the aforementioned restatement. Our examination of the financial statements of J. I. Case Company and consolidated subsidiary companies for the year ended October 31, 1964, was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Chicago, Illinois
December 18, 1964

INDEX TO FINANCIAL STATEMENTS — CASE

J. I. CASE COMPANY
AND CONSOLIDATED SUBSIDIARY COMPANIES

STATEMENT OF FINANCIAL CONDITION

July 31, 1969

(Expressed in thousands)

ASSETS

Current Assets:	
Cash	$ 11,501
Notes and accounts receivable:	
Customers:	
Notes	17,327
Accounts	23,504
Miscellaneous	2,178
	43,009
Less allowance for doubtful receivables	1,279
	41,730
Inventories (Note 4)	136,739
Prepaid expenses	1,395
Deferred tax debits (Note 13)	6,795
Total current assets	198,160
Investments and Other Assets:	
Investment in J. I. Case Credit Corporation, at equity in net assets (see accompanying financial statements) (Note 2)	54,316
Miscellaneous (including unamortized debt discount and expense being amortized over the lives of the respective issues)	4,245
Total investments and other assets	58,561
Properties — At cost (Note 5):	
Land	3,538
Buildings	44,011
Machinery and equipment	115,815
	163,364
Less accumulated depreciation	76,159
Net properties	87,205
Excess of Cost of Assets Acquired Over Assigned Value Thereof (Note 6)	5,775
	$349,701

(See accompanying notes to financial statements.)

J. I. CASE COMPANY
AND CONSOLIDATED SUBSIDIARY COMPANIES

STATEMENT OF FINANCIAL CONDITION

July 31, 1969

(Expressed in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Notes and other bank loans payable —	
J. I. Case Company	$ 54,951
Foreign subsidiaries	15,694
Accounts payable	33,350
Discounts, allowances, etc.	6,800
Accrued pension costs (Note 7)	7,967
Other accrued liabilities	11,264
Current portion of long-term debt (Notes 8 and 9)	2,586
Due to J. I. Case Credit Corporation	5,531
Total current liabilities	138,143
Long-Term Debt (Notes 8 and 9):	
Twenty-five year 3½% sinking fund debentures due February 1, 1978, less amount due within one year	9,733
5¼% promissory notes due 1969-1984, less amount due within one year	30,000
5½% subordinated debentures due 1990	19,990
Other	5,902
Total long-term debt	65,625
Reserve for Pensions (Note 7)	7,300
Deferred Tax Credits (Note 13)	1,984
Stockholders' Equity:	
Capital (Notes 1, 10, 11 and 12):	
5¾% cumulative preferred stock, par value $100 per share — authorized, issued, and outstanding, 200,000 shares	20,000
Cumulative second preferred stock, par value $1 per share — authorized, 1,200,000 shares; issued and outstanding, $1.44 convertible series A, 439,467 shares (liquidation preference $10,986,675)	489
Common stock, par value $1 per share — authorized, 10,000,000 shares; issued and outstanding, 6,021,265 shares	6,021
Capital in excess of par value (see accompanying statement)	72,615
Earnings retained since October 31, 1961 (see accompanying statement) (Notes 8 and 16)	37,524
Total stockholders' equity	136,649
	$349,701

(See accompanying notes to financial statements.)

J. I. CASE COMPANY
AND CONSOLIDATED SUBSIDIARY COMPANIES

STATEMENT OF EARNINGS RETAINED SINCE OCTOBER 31, 1961

For the Three Years Ended October 31, 1968 and the Nine Months Ended July 31, 1969

(Expressed in thousands)

	October 31, 1966	October 31, 1967	October 31, 1968	July 31, 1969
Balance at beginning of period	$18,714	$34,876	$36,695	$38,504
Add (deduct):				
Net Income for the Period	17,312	3,343	3,592	358
Dividends paid on cumulative second preferred stock, $1.44 convertible series A (annual rate $1.44 per share)	—	(374)	(633)	(475)
Dividends paid on 5¾% cumulative preferred stock (annual rate $5.75 per share)	(1,150)	(1,150)	(1,150)	(863)
Balance at end of period (Notes 8 and 16)	$34,876	$36,695	$38,504	$37,524

(See accompanying notes to financial statements.)

J. I. CASE COMPANY
AND CONSOLIDATED SUBSIDIARY COMPANIES

STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE
For the Three Years Ended October 31, 1968 and the Nine Months Ended July 31, 1969

(Expressed in thousands)

	October 31, 1966	October 31, 1967	October 31, 1968	July 31, 1969
Balance at beginning of period	$39,312	$39,630	$50,273	$71,096
Excess of option price over par value of common stock issued under Stock Option Plan (Note 12)	318	224	385	—
Excess of proceeds over par value of 439,477 shares of cumulative second preferred stock, $1.44 convertible series A, issued, less issuance expenses of $128,777 (Note 10)	—	10,419	—	—
Transfer to cumulative second preferred stock, $1.44 convertible series A, an amount equivalent to the adjustment in the conversion price (Note 10)	—	—	(49)	—
Excess of proceeds over par value of 1,471,721 shares of additional common stock issued, less issuance expenses of $116,508 (Note 10)	—	—	20,487	—
Excess of market value over par value of 112,500 shares of common stock issued to acquire certain assets relating to the Universal Uni-loader product line (Note 10)	—	—	—	1,519
Balance at end of period	$39,630	$50,273	$71,096	$72,615

(See accompanying notes to financial statements.)

J. I. CASE COMPANY
AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

Note 1 — Controlling Interest

At July 31, 1969 Tenneco Corporation, a subsidiary of Tenneco Inc., owned directly or indirectly 55.7% (3,356,709 shares) of Case's outstanding common stock, 56.3% (247,293 shares) of its cumulative second preferred stock — $1.44 convertible series A, all of its 5¾% cumulative preferred stock, and $3,850,700 principal amount of its 5½% subordinated debentures due 1990. Also see the caption "J. I. Case Company."

Note 2 — Basis of Consolidation

The consolidated financial statements include the accounts of all significant subsidiaries except J. I. Case Credit Corporation for which separate financial statements are filed herewith.

In 1968, the consolidated financial statements, for the first time, were prepared to include the account of Case's French subsidiaries. Amounts previously reported for 1967 and prior periods shown have been restated for comparability. This change has no effect on net income in 1968 or prior periods.

See Notes 2, 3 and 5 to financial statements of J. I. Case Credit Corporation for information on contingent compensation applicable to borrowings of J. I. Case Credit Corporation, provision for or in lieu of Federal taxes on income, and for dividend restrictions of J. I. Case Credit Corporation.

Case's investments in and advances to J. I. Case Credit Corporation (a nonconsolidated subsidiary) at July 31, 1969 are stated at equity in net assets.

Investments in and advances to consolidated subsidiary companies are carried at equity in net assets. Intercompany profit in inventories has been eliminated.

Case at interim reporting dates includes in the consolidated financial statements the accounts of its foreign subsidiaries as of one month prior to the date of the consolidated financial statements.

Note 3 — Net Assets in Foreign Countries and Basis of Translation

The geographical distribution of assets located in foreign countries at July 31, 1969 was as follows:

	(Expressed in thousands)		
	Net Current Assets	Properties and Other Assets	Total
Canada	$10,680	$1,871	$12,551
Australia	8,423	1,743	10,166
Europe	7,804	3,193	10,997
Great Britain	4,372	693	5,065
Other	7,390	170	7,560
	$38,669	$7,670	$46,339

Net current assets were translated into United States dollars at rates of exchange in effect on July 31, 1969. Other assets were translated at rates in effect when such assets were acquired. Unrealized exchange losses resulting from the translation of foreign currency net assets into United States dollars have been charged to income.

Note 4 — Inventories

Inventories are valued at lower of cost or market. Cost was determined principally by the last-in, first-out method.

At July 31, 1969 inventories comprised:

	(Expressed in thousands)
Raw materials and supplies	$ 16,009
Work in process	42,559
Finished goods	78,171
	$136,739

The amounts of inventories used to compute cost of goods sold were as follows:

October 31,	(Expressed in thousands)
1965	$105,038
1966	105,838
1967	107,670
1968	111,245
July 31, 1969	136,739

Note 5 — Properties and Depreciation Policy

Depreciation is computed using the straight line method on the basis of the estimated useful lives of the properties. With minor exceptions, the rates shown below are applied to the gross asset balances at the beginning of the year, after eliminating fully-depreciated items and assets retired during the year, and one-half of such rates are applied to net additions during the year.

Buildings and building equipment	2% to 10%
Machinery and equipment	8% to 25%
Autos and trucks	30%

Expenditures for maintenance and repairs are charged to operations as incurred; additions and betterments are capitalized. Properties retired or otherwise disposed of are eliminated from the property accounts, depreciation accumulated thereon is eliminated from the related accumulated depreciation accounts, and any gains or losses are credited or charged to income.

Note 6 — Excess of Cost of Assets Acquired Over Assigned Value Thereof

"Excess of cost of assets acquired over assigned value thereof" resulted from the merger of American Tractor Corporation into J. I. Case Company in January 1957, and is being amortized over a 20-year period. The plan of amortization adopted in 1957 provides that the annual charge to income will be $700,000.

Note 7 — Pension Plan

Case has several pension plans covering substantially all employees. For many years the Company has had a voluntary unfunded pension plan under which employees have been paid pensions during retirement. Prior to 1966 pension costs under this plan were charged to income as they were paid.

In 1966 the Company changed its practice to provide for the recognition of actuarially determined pension costs on an accrual basis. On this basis, pension costs for the years ended October 31, 1966 through 1968 and the nine months ended July 31, 1969 were approximately $7,500,000; $8,300,000; $8,300,000; and $6,500,000, respectively, which includes amortization of prior service cost over periods ranging from twenty-five to forty years. Case intends to fund pension benefits over a period not in excess of forty years in a manner which will qualify for deductions under the U. S. Internal Revenue Code.

Pension costs charged to income for the two years ended October 31, 1964 and 1965 were approximately $1,500,000 and $1,600,000, respectively.

Currently the actuarially computed value of vested benefits for all plans, less pension accruals, is approximately $41,000,000, and the actuarially estimated unfunded past service cost of future benefits for retired and present employees, less pension accruals, is approximately $57,000,000.

See the subcaption "Employees" under the caption "Business and Property of Case".

Note 8 — Certain Provisions of Long-Term Debt Agreements, Including Dividend Restrictions

Repayment Provisions:

Twenty-five year 3½% sinking fund debentures due February 1, 1978

Annual sinking and purchase fund payments are required. The minimum annual payment of $930,000 increases to $1,260,000 when consolidated net income for the preceding year exceeds $7,630,000. In 1969, $930,000 will be payable. In lieu of the sinking and/or purchase fund payments, Case may, at its option, deliver debentures to the

trustee having a cost equal to the required payments. Such debentures shall be received by the trustee at an amount equal to the lesser of 100% of the principal amount thereof or cost to Case. The cost of debentures held for future delivery to the trustee at July 31, 1969, amounting to approximately $31,000, and has been deducted from the current portion of long-term debt.

5¼% promissory notes due 1969-1984

On October 1, 1969, $1,000,000 is payable and on October 1, 1970-1984, $2,000,000 is payable annually.

5½% subordinated debentures due 1990

Annual sinking fund payments of $600,000 (in cash and/or debentures) commence January 31, 1971 and increase at four year intervals to a maximum of $1,400,000 annually during 1987-1989.

Dividend and Other Restrictions:

Under the most restrictive terms of any of the indentures and agreements relating to the Company's long-term debt, $5,946,000 of the consolidated earnings retained at July 31, 1969, were free of restrictions as to payment of common stock cash dividends and certain acquisitions of Case's capital stock.

The agreements relating to the 5¼% promissory notes due 1969-1984 limit additional investments in foreign and finance subsidiaries and in certain other persons, as defined.

The indenture relating to the 5½% subordinated debentures due 1990 limits the funded indebtedness which Case creates, guarantees, or assumes, or permits any subsidiary (other than a finance subsidiary) to create, guarantee, or assume.

For further information on dividend restrictions see subcaption "Dividend Rights" under the caption "Description of Common Stock and Series A Preferred Stock of Case".

Note 9 — Required Repayments of Long-term Debt

Minimum annual repayments of long-term debt for the next five years will be $2,585,000, $4,667,000, $3,863,000, $3,847,000 and $3,852,000.

Note 10 — Capital Stock

Common Stock

At July 31, 1969 Case had 488,512 shares of common stock reserved for issuance upon conversion of cumulative second preferred stock — $1.44 convertible series A. In addition, the Company had 150,000 shares reserved for issuance under the 1969 Qualified Stock Option Plan.

During the year ended October 31, 1968, Case's authorized common stock was increased from 6,000,000 to 10,000,000 shares and 1,432,424 shares of additional common stock were sold to stockholders at a price of $15 per share.

In July, 1969 Case issued 112,500 shares of common stock and paid $250,000 to acquire the product line known as the "Universal Uni-loader". For accounting purposes this acquisition was treated as a purchase.

Cumulative Second Preferred Stock — $1.44 Convertible Series A

The cumulative second preferred stock has general voting rights of one vote per share.

Case has the option to redeem the series A stock at any time, in whole or in part, at $26.25 per share to April 30, 1971 which declines (at the rate of $0.25 per share every two years thereafter) to $25.00 per share on April 30, 1979.

The series A stock has a conversion value of $25.00 per share, and as a result of the common stock offering on December 8, 1967 the conversion price was adjusted from $25.00 to $22.49 per share of common stock. The effect of this adjustment was to increase the stated value of the series A stock by $49,048.

5¾% Cumulative Preferred Stock

Commencing April 30, 1972, through the operation of an annual retirement fund, Case is obligated to redeem annually from 3,000 to 6,000 shares of its 5¾% cumulative preferred stock at a price of $100 per share plus accrued dividends if a specified amount is earned during the preceding fiscal year.

Case has the option to redeem its 5¾% cumulative preferred stock at any time, in whole or in part, at $105 a share to April 30, 1971, and thereafter, redemption prices decrease at various intervals to par after April 30, 1984.

Notwithstanding the redemption provisions of the 5¾% cumulative preferred stock the present holder of all such stock, Tenneco Corporation, has agreed that it will, upon Case's request, resell to Case at par plus accrued dividends all or any part of this preferred stock held by it at the time.

Note 11 — Recapitalization

See subcaption "Refinancing in 1964-1965" under the caption "Business and Property of Case."

Note 12 — Stock Option Plan

Stock options, which were granted prior to July 1, 1965 under a previous Stock Option Plan have now either been exercised or have been cancelled.

Further information regarding options granted under the previous plan for the three years ended October 31, 1968 follows:

	Year Ended October 31,		
	1966	1967	1968
Options which became exercisable:			
Number of shares	30,360	29,149	5,834
Option prices —			
Per share	$ 11.14	$ 11.23	$ 20.25
Total	$338,217	$327,314	$118,139
Fair value at date exercisable —			
Per share	$ 25.76	$ 20.02	$ 20.50
Total	$782,168	$583,571	$119,597
Options cancelled or expired:			
Number of shares	2,118	2,368	—
Option prices —			
Per share	$ 9.70	$ 10.48	—
Total	$ 20,535	$ 24,812	—
Options exercised:			
Number of shares	32,866	28,215	23,663
Option prices —			
Per share	$ 10.66	$ 9.00	$ 17.29
Total	$350,307	$254,094	$409,198
Fair value at date exercised —			
Per share	$ 23.38	$ 20.77	$ 20.68
Total	$768,307	$586,145	$489,381

When options are exercised, the par value of the shares issued is credited to "Common stock" and the balance of the option price is credited to "Capital in excess of par value."

At July 31, 1969 option prices per share and in total for shares under option, and fair value per share and in total at date on which options were granted, were as follows:

		Shares under Option		
			Fair Value at Date Granted	
Date Granted	Expiration Date	Number of Shares	Per Share	Total
April 1, 1969	April 1, 1974	28,000	$19.00	$532,000
May 28, 1969	May 28, 1974	4,000	18.375	73,500
		32,000		$605,500

At July 31, 1969 none of the above outstanding options are exercisable. See the subcaption "Employee Relations" under the caption "Management of Tenneco Inc."

Note 13 — Federal Taxes on Income

In years prior to 1968, Case provided for pension costs on a net of tax basis and provided for deferred income tax resulting from the use of accelerated depreciation for tax purposes only. In 1968 Case adopted comprehensive tax allocation in accordance with the recommendations of the Accounting Principles Board of the American Institute of Certified Public Accountants, and accordingly, deferred the tax on timing differences relating to accruals for discounts, allowances and other accruals and reserves. This change had the effect of increasing 1968 fiscal year income by approximately $2,100,000 which was substantially offset by the effect of an unrelated nonrecurring charge of $2,135,334 for contingent compensation payable to banks (see J. I. Case Credit Corporation — Note 2 to financial statements).

The statement of consolidated income for 1966 and 1967 has been restated (1) to increase pension expense for $2,800,000 in 1966 and for $800,000 in 1967 representing the applicable timing difference on pension expense previously reported on a net of tax basis and (2) to include such amounts in the provision for taxes on income for the respective years.

No current liability for U.S. Federal income taxes was provided for the five years ended October 31, 1968 because of available net operating loss carry-overs and foreign tax credit carry-overs. No current liability for U.S. Federal income taxes was provided for the nine months ended July 31, 1969 because a net operating loss would be experienced if a tax return was filed for this period. The deferred income tax credit for this period results from an intra-period allocation of the effect of the net operating loss. Case is of the opinion that the final quarter of its fiscal year will require a tax provision which will more than offset the credit for the nine months ended July 31, 1969.

Federal income taxes payable for the years 1969 through 1975 may be reduced by investment credit carryovers of approximately $3,100,000 and foreign tax credit carry-overs of approximately $1,400,000.

Case is contesting certain adjustments proposed by the Internal Revenue Service applicable to examination of the years 1957 through 1960. Final settlements have been made for all years prior to 1957. It is not anticipated that any significant assessments of additional U. S. Federal taxes on income for these years will be payable.

Reference is made to the paragraph on page 13 following the "Statement of Consolidated Income of Tenneco Inc." concerning pending legislation.

Note 14 — Operating Agreements

Since January 1, 1968 J. I. Case Company has been operating the facilities of Drott Manufacturing Corporation, a subsidiary of Tenneco Corporation, under a seven-year operating agreement.

On November 12, 1968 the Company entered into a similar operating agreement with Davis Manufacturing, Inc. a subsidiary of Tenneco Inc.

Results of operations under these agreements are included in the accompanying financial statements. See Note A on page 58.

Note 15 — Litigation

See the caption "Litigation — Case" elsewhere herein for details.

J. I. CASE COMPANY
AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS — (Continued)

Note 16 — Elimination of Deficit at October 31, 1961

By action of the Board of Directors in April, 1962 (stockholder approval not being required under the laws of the State of Wisconsin) the accumulated deficit of $26,815,000 at October 31, 1961 was charged to capital in excess of par value. Had this action not been taken, earnings retained at July 31, 1969 would have been $10,709,000.

Note 17 — Supplementary Profit and Loss Information

(Expressed in thousands)

	Year Ended October 31, 1966	1967	1968	Nine Months Ended July 31, 1969
Maintenance and repairs:				
Charged to income:				
Cost of goods sold	$6,863	$7,517	$6,571	$5,085
Other	452	556	414	500
	$7,315	$8,073	$6,985	$5,585
Depreciation:				
Charged to income:				
Cost of goods sold	$4,692	$5,655	$7,085	$6,067
Other	916	1,188	898	1,126
	$5,608	$6,843	$7,983	$7,193
Taxes, other than income taxes:				
Real estate and personal property:				
Charged to income:				
Cost of goods sold	$1,127	$1,260	$1,681	$1,513
Other	835	896	785	873
	$1,962	$2,156	$2,466	$2,386
Social Security:				
Charged to income:				
Cost of goods sold	$2,841	$3,191	$3,365	$2,658
Other	856	987	1,083	1,232
	$3,697	$4,178	$4,448	$3,890
Other:				
Charged to income:				
Cost of goods sold	$ 280	$ 246	$ 62	$ 34
Other	224	242	344	230
	$ 504	$ 488	$ 406	$ 264
Rents:				
Charged to income:				
Cost of goods sold	$1,613	$1,782	$2,078	$2,178
Other	1,231	1,338	1,931	1,256
	$2,844	$3,120	$4,009	$3,434

J. I. CASE CREDIT CORPORATION
(a wholly-owned subsidiary of J. I. Case Company)

STATEMENT OF FINANCIAL CONDITION
July 31, 1969

(Expressed in thousands)

ASSETS

Cash	$ 10,501
Due from J. I. Case Company	5,531
Notes receivable:	
Wholesale, including approximately $168,000,000 due after one year	236,445
Dealers rental fleet, including approximately $5,278,000 due after one year	5,321
Retail, including approximatley $85,000,000 due after one year	155,039
	396,805
Unearned finance and insurance charges (Note 6)	(20,428)
Allowance for doubtful notes	(5,017)
	371,360
Repossessed machinery inventory, at lower of cost or market	556
Other assets	1,616
	$389,564

LIABILITIES AND STOCKHOLDER'S EQUITY

Notes payable to banks	$ 65,150
Commercial paper	129,064
Taxes on income (Note 3)	875
Other accrued liabilities	1,898
Dealers' reserves	6,911
Long-term notes payable, including $3,000,000 due within one year (Note 4)	109,350
	313,248
Subordinated notes, 5⅝%, due 1979 (Note 5)	22,000
Total liabilities	335,248
Junior subordinated indebtedness and stockholder's equity:	
Junior subordinated notes due J. I. Case Company, 6½% due 1975	8,000
Capital stock, without par value:	
Authorized — 5,000 shares;	
Issued and Outstanding — 4,100 shares, at stated value	25,000
Earnings retained (see accompanying statement) (Note 5)	21,316
	54,316
	$389,564

(See accompanying notes to financial statements.)

J. I. CASE CREDIT CORPORATION
(a wholly-owned subsidiary of J. I. Case Company)

STATEMENT OF INCOME AND EARNINGS RETAINED

For the Three Years Ended October 31, 1968 and the Nine Months Ended July 31, 1969

(Expressed in thousands)

	Year Ended October 31,			Nine Months Ended July 31,
	1966	1967	1968	1969
Income:				
Financing charges to parent company on wholesale and dealer rental fleet notes receivable (Note 7)	$10,374	$13,533	$15,711	$12,691
Earned finance charges on retail notes and interest on past-due instalments (Note 6)	5,537	7,624	9,400	8,391
Other charges to parent company (Note 7)	3,524	5,175	5,562	4,966
Other	227	413	548	164
	19,662	26,745	31,221	26,212
Expenses:				
Interest on:				
Long-term notes	4,005	4,759	4,629	4,722
Subordinated notes (in 1967, 1968 and 1969, includes $168,000; $324,000; and $359,000, respectively, paid to parent company)	1,237	1,405	1,561	1,287
Notes payable to banks	4,520	5,086	5,340	4,321
Commercial paper	1,223	3,942	6,303	6,211
	10,985	15,192	17,833	16,541
Provision for possible losses on notes receivable	1,458	1,148	1,380	1,275
Other	1,011	1,081	1,035	939
	13,454	17,421	20,248	18,755
Income before taxes on income and extraordinary item	6,208	9,324	10,973	7,457
Provision for or in lieu of taxes on income:				
Federal:				
Portion credited to parent company (Note 3)	2,536	3,573	3,340	3,057
Charge equivalent to tax reduction from contingent compensation to banks deducted as extraordinary item below (Note 2)	—	—	1,110	—
Canadian and state	722	1,000	1,260	947
	3,258	4,573	5,710	4,004
Income before extraordinary item	2,950	4,751	5,263	3,453
Extraordinary item — contingent compensation to banks less credit equivalent to tax reduction (Note 2)	—	—	1,025	—
Net income for the period	2,950	4,751	4,238	3,453
Earnings retained at beginning of period	5,924	8,874	13,625	17,863
Earnings retained at end of period (Note 5)	$ 8,874	$13,625	$17,863	$21,316

(See accompanying notes to financial statements.)

J. I. CASE CREDIT CORPORATION

(a wholly-owned subsidiary of J. I. Case Company)

NOTES TO FINANCIAL STATEMENTS

Note 1 — Net Assets in Canada

At July 31, 1969 net assets of $63,753,570, in Canada were translated into United States dollars at the free rate of exchange. Under an agreement dated October 21, 1957, as amended in 1959, 1965 and 1968, gains or losses on Canadian exchange accrue to or are borne by J. I. Case Company.

Note 2 — Contingent Compensation

In 1961 J. I. Case Company and J. I. Case Credit Corporation entered into an agreement with certain banks whereby interest rates applicable to borrowings during the fiscal years 1962 through 1964 were reduced. In connection therewith the companies agreed to pay, as contingent compensation for such borrowings, an amount equal to 50% of consolidated net earnings (including the net earnings of J. I. Case Credit Corporation), if any, before taxes for the fiscal years 1968 through 1972, inclusive, until the accumulated amount so paid equalled interest at 5% per annum on the loans outstanding during the period from December 29, 1961 to October 31, 1964.

In 1964, upon repayment of the borrowings, the banks waived the contingent compensation applicable to borrowings of J. I. Case Company under the Credit Agreement. Contingent compensation of $2,135,334 applicable to borrowings of J. I. Case Credit Corporation was not waived and a provision for this amount, less credit equivalent to tax reduction of $1,110,374, was charged against earnings in 1968 and has now been paid in full.

Note 3 — Federal Taxes on Income

The income and expenses of J. I. Case Credit Corporation for the three years ended October 31, 1968 have been included in consolidated federal income tax returns of the parent company and no tax has been payable because of available consolidated net operating loss carryovers and foreign income tax credit carryovers. However, J. I. Case Credit Corporation has made provisions in lieu of taxes during these periods and for the nine months ended July 31, 1969, in amounts approximately equivalent to the federal income taxes that would be payable on a separate company basis. These amounts have been credited to the parent company.

Note 4 — Long-term Notes Payable

Long-term notes payable at July 31, 1969 comprised:

5⅝%, payable $1,000,000 annually May 1, 1970-1972 and $16,000,000 on May 1, 1973	$ 19,000,000
5¾%, payable $1,000,000 annually May 1, 1970-1973 and $16,000,000 on May 1, 1974	20,000,000
6¼%, payable $1,000,000 annually February 1, 1970-1974 and $11,000,000 on February 1, 1975	16,000,000
6%, payable $1,935,000 annually June 1, 1972-1981	19,350,000
7¾%, payable $2,700,000 annually December 1, 1976-1987 and $2,600,000 on December 1, 1988	35,000,000
	$109,350,000

Note 5 — Subordinated Notes, 5⅝%, due 1979 and Dividend Restrictions

The 5⅝% subordinated notes due 1979 are payable $1,000,000 annually August 1, 1970-1978 and $13,000,000 on August 1, 1979.

The agreements relating to these notes provide, among other things, that Case Credit will not pay cash dividends or reacquire shares of its capital stock, if after giving effect thereto, senior debt would exceed 300% of capital base, as defined in the agreements, and that cash dividends can be paid only out of earnings subsequent to October 31, 1964. At July 31, 1969 senior debt exceeded 300% of capital base by approximately $75,000,000, and therefore the Corporation could not pay dividends or reacquire its capital stock. The agreements relating to the long-term notes payable contain identical or less restrictive provisions on the payment of cash divdends.

Note 6 — Finance and Insurance Charges on Retail Notes

Finance and insurance charges on retail notes receivable are credited to income on the basis of a predetermined average rate of return over the life of the notes.

Note 7 — Charges to Parent Company

In accordance with an agreement with J. I. Case Company dated October 21, 1957, as amended in 1959, 1965 and in 1968, the following charges are made to the parent company:

(1) Financing charges on wholesale notes receivable, determined by applying established rates to the average of such receivable balances at the beginning and end of each month.

(2) Financing charges on dealer rental fleet receivables, determined by applying established rates to the average of such receivable balances at the beginning and end of each month.

(3) Charges for retail notes acquired by J. I. Case Credit Corporation on which finance charges have been waived by Case dealers from the date of sale to the normal season of use for such equipment, determined by applying established rates which approximate normal finance charges earned on retail paper to the month-end balance of such notes.

(4) Charges for advance payments of inter-company account, determined by applying established rates to the excess of payments made during a month to the parent company over the amount due to the parent company at the beginning of the month.

LEGAL OPINIONS

Legal matters in connection with the Exchange Offer and the $5.50 Preference Stock of Tenneco Inc. will be passed upon for Tenneco Inc. by Messrs. Baker, Botts, Shepherd & Coates, Esperson Building, Houston, Texas, for Case by Edward J. Harrison, Esq., General Counsel of Case, and for the Dealer Managers by Messrs. Cahill, Gordon, Sonnett, Reindel & Ohl, 80 Pine Street, New York, New York. From time to time, Messrs. Cahill, Gordon, Sonnett, Reindel & Ohl perform legal services for Tenneco Inc.

EXPERTS

The financial statements and schedules of Tenneco Inc. included in this Prospectus and elsewhere in the Registration Statement, to the extent and for the periods indicated in their reports, have been examined by Arthur Andersen & Co. and Haskins & Sells, independent public accountants, and are included herein in reliance upon the authority of said firms as experts in accounting and auditing in giving said reports. Reference is made to the report of Arthur Andersen & Co. pertaining to Tenneco Inc. which comments on the change in 1967 to an accepted alternative method of accounting for deferred income taxes, as discussed in Note 10 to the Financial Statements of Tenneco Inc.

The financial statements and schedules of J. I. Case Company included in this Prospectus and elsewhere in the Registration Statement, to the extent and for the periods indicated in their respective opinions herein and in the Registration Statement, have been examined by Haskins & Sells and by Price Waterhouse & Co., independent certified public accountants, and are included herein and in the Registration Statement in reliance on such opinions and upon the authority of said firms as experts in accounting and auditing.

The extract from the report of Ralph E. Davis Associates, Inc. under the subcaption "Gas Supply" under the caption "Natural Gas Transmission" is included herein on the authority of Ralph E. Davis Associates, Inc. as an expert. The statements set forth under the subcaption "Reserves" under the caption "Petroleum" have been reviewed by Herman Otto, Petroleum Engineer, and are included herein on his authority as an expert.

The statements as to matters of law and legal conclusions set forth under the caption "Litigation — Tenneco Inc." and, to the extent indicated therein, under the caption "Litigation — Case" have been reviewed by Charles S. Taylor, Jr., Esq., Associate Counsel of Tenneco Inc., as set forth under such captions, and are stated upon the authority of such counsel. The statements as to matters of law and legal conclusions set forth under the subcaption "Natural Gas Act" under the caption "Natural Gas Transmission" and under the subcaption "Regulation" under the caption "Petroleum" and under the caption "Description of $5.50 Preference Stock and Common Stock of Tenneco Inc." have been reviewed by Messrs. Baker, Botts, Shepherd & Coates and are stated upon the authority of such counsel.

The statements as to matters of law and legal conclusions set forth under the subcaption "Properties" under the caption "Business and Property of Case," under the caption "Description of Common Stock and Series A Preferred Stock of Case" and, to the extent indicated therein, under the caption "Litigation — Case" have been reviewed by Edward J. Harrison, Esq., General Counsel of Case, and are stated upon the authority of such counsel. The statements as to matters of law and legal conclusions set forth under the caption "Litigation — Case" have, to the extent indicated therein, been reviewed by Messrs. Whyte, Hirschboeck, Minahan, Harding & Harland S. C. and are stated upon the authority of such counsel.

Name of Company and State or Country of Incorporation	Percentage of Outstanding Voting Securities Owned Beneficially by the Company
S. A. Ferdinand Dobler (France)	92%
South African Paper Chemicals Company (Pty.) Ltd. (South Africa)	60%
Tenneco Quimica de Mexico, S.A. (Mexico)	100%
Tenneco Dominican Republic, Inc. (Delaware)	100%
Tenneco Ethiopia Inc. (Delaware)	100%
Tenneco Egypt, Inc. (Delaware)	100%
Tenneco Food Products Company (Delaware)	100%
Tenneco Great Britain Limited (United Kingdom)	100%
Tenneco Guatemala, Inc. (Delaware)	100%
Tenneco Guyana, Inc. (Delaware)	100%
Tenneco Holland, Inc. (Delaware)	100%
Gebr. Broere N.V. (Holland)	100%
Tenneco India, Inc. (Delaware)	100%
Tenneco International N.V. (Netherlands Antilles)	100%
Tenneco Iran, Inc. (Delaware)	100%
Tenneco Italy, Inc. (Delaware)	100%
Tenneco Laurel Corporation (Delaware)	100%
**Total Energy Corporation (Connecticut)	100%
Tenneco Libya, Inc. (Delaware)	100%
Tenneco Malagasy, Inc. (Delaware)	100%
Tenneco Netherlands, Inc. (Delaware)	100%
Tenneco Oil Company (Delaware)	100%
Quality Service Company (Delaware)	100%
Tenneco Oil & Minerals, Ltd. (Canada)	100%
Tenneco Oil Company of Argentina (Delaware)	100%
Tenneco Oil Company of Nigeria (Delaware)	100%
Tenneco Pakistan, Inc. (Delaware)	100%
Tenneco Properties, Inc. (Delaware)	100%
Tenneco Saudi Arabia, Inc. (Delaware)	100%
Tenneco South Africa, Inc. (Delaware)	100%
Tenneco Thailand, Inc. (Delaware)	100%
Tenneco United Kingdom, Inc. (Delaware)	100%
Tenneco Venezuela, Inc. (Delaware)	100%
Tennessee Argentina, S.A. (Delaware)	100%
Tennessee Overseas Corporation (Delaware)	100%
Tennessee Production Company (Delaware)	100%

* Includes 5% owned by The Eastern Corrugated Container Corporation.

** Inactive.

*** Includes 4% owned by Tenneco Corporation. Moorgate Corporation, another subsidiary of Tenneco Inc., owned or had received tenders for an additional 34% as of December 3, 1969.

9. FUNDED DEBT

Reference is made to note 3 of the Notes to Financial Statements of Tenneco Inc. and Consolidated Subsidiaries beginning on page 42 of the attached Prospectus for information with respect to the Funded Debt of the Company.

10. EMPLOYEE INCENTIVE AND STOCK OPTION PLANS

The Company has in effect a Restricted Stock Option Plan due to expire by its terms in October 1973. No options have been granted under this Plan since 1963. In addition, the Company has a Qualified Stock Option Plan in effect for the granting of options to officers and key employees of the Company and its subsidiaries. Both of these plans provide for the purchase of the Company's Common Stock. Kern County Land Company, prior to its acquisition by the Company, had stock option plans for officers and key employees of Kern and its subsidiaries; those outstanding options were surrendered annd substitute options granted by the Company for the purchase of the Company's $5.50 Cumulative Convertible Preference Stock. For information regarding these employee stock option plans see note 7 of the Notes to Financial Statements of Tenneco Inc. and Consolidated Subsidiaries beginning on page 45 of the attached Prospectus.

11. SHARES RESERVED FOR ISSUANCE

At October 31, 1969, 27,600,661 shares of the Company's Common Stock were reserved for various purposes listed below:

Shares Reserved for Issuance:

Reserved for Conversion of Second Preferred Stock	
4.72% Series	84,821
4.92% Series	180,270
5.00% Series	438,911
5.36% Series	3,007,365

11.—Shares Reserved for Issuance—Continued

Reserved for Exercise of Stock Options (Restricted Stock Option Plan)	101,315
Reserved for Exercise of Stock Options (Qualified Stock Option Plan)	325,773
Reserved for Exchange of Tenneco Corporation 6¼% Subordinated Debentures	3,333,267
Reserved for Exchange of Tenneco Corporation $1.60 Cumulative Second Preferred Stock	1,973,515
Reserved for Exercise of Warrants	2,500,000
Reserved for Conversion of $5.50 Cumulative Convertible Preference Stock	15,655,424
Total Shares Reserved for Issuance	27,600,661

12. LISTING ON OTHER EXCHANGES

The outstanding shares of the Company's Common Stock are listed on the New York, Midwest, and Pacific Coast Stock Exchanges in the United States. In addition, the shares of Common Stock reserved for issuance as described above are listed, subject to official notice of issuance thereof, on such Exchanges. The outstanding shares of the Company's $5.50 Cumulative Convertible Preference Stock are listed on the New York and Pacific Coast Stock Exchanges and 17,494 shares are listed, subject to official notice of issuance thereof, for exercise of stock options. The Company's outstanding Preferred Stock and Second Preferred Stock are listed on the Philadelphia-Baltimore-Washington Stock Exchanges. Warrants for the purchase of the Company's Common Stock are listed on the American Stock Exchange. Several issues of Debentures of the Company and Tenneco Corporation, a subsidiary of the Company, are listed on the New York Stock Exchange. The outstanding Common Stock and Series A Preferred Stock of J. I. Case Company, a subsidiary of the Company, are listed on the New York Stock Exchange. No other securities of the Company or its subsidiaries are listed on any Exchange.

13. STATUS UNDER SECURITIES ACTS

The Company has complied with all registration and other filing requirements of the United States Securities Act of 1933, and of the rules and regulations of the United States Securities and Exchange Commission, and all such filings are currently up to date.

Upon approval of this application, the Company will promptly comply with the Ontario Securities Act of 1966 to the extent required by the rules and regulations thereunder.

14. FISCAL YEAR, ANNUAL MEETING AND HEAD OFFICE

The fiscal year of the Company ends on December 31 of each year. The By-Laws of the Company provide that the annual meeting of the shareholders shall be held on the second Friday in April of each year at the offices of the Company in Houston, Texas, at such hour as shall be designated by the Board of Directors.

The last annual stockholders' meeting was held on April 11, 1969. The principal executive offices of the Company are located in the Tenneco Building, 1010 Milam Street, Houston, Texas 77002.

15. TRANSFER AGENTS AND REGISTRARS

The transfer agents and registrars for the Company's Common Stock are as follows:

City and State or Province	Transfer Agent	Registrar
New York, New York	Chemical Bank 20 Pine Street New York, New York 10015	First National City Bank 111 Wall Street New York, New York 10015
Houston, Texas	Houston National Bank* 1010 Milam Street Houston, Texas 77002	First City National Bank of Houston 1001 Main Street Houston, Texas 77002
Chicago, Illinois	The Northern Trust Company 50 South LaSalle Street Chicago, Illinois 60690	Continental Illinois National Bank and Trust Company of Chicago 231 South LaSalle Street Chicago, Illinois 60690
Los Angeles, California	United California Bank 600 South Spring Street Los Angeles, California 90054	Wells Fargo Bank 415 West Fifth Street Los Angeles, California 90013
Toronto, Ontario, Canada	Montreal Trust 15 King Street West Toronto, Canada	Canada Permanent Trust 320 Bay Street Toronto, Canada

*Principal Transfer Agent and Dividend Paying Agent.

The share certificates for the Company's Common Stock are mutually interchangeable, and no fee is charged for the transfer of such stock other than applicable governmental stock transfer taxes.

16. AUDITORS

The Company's independent auditors are Arthur Andersen & Co., certified public accountants, Bank of the Southwest Building, Houston, Texas 77002.

17. OFFICERS AND DIRECTORS

The following is a list of all officers and directors of the Company, together with their respective positions with the Company, and business addresses:

Directors

Name	Position with Company	Address
Gardiner Symonds	Chairman of the Board	1010 Milam Street Houston, Texas 77002
N. W. Freeman	President and Director	1010 Milam Street Houston, Texas 77002
Simon Askin	Vice Chairman of the Board	1010 Milam Street Houston, Texas 77002
Sydney T. Ellis	Vice Chairman of the Board	1010 Milam Street Houston, Texas 77002
Herbert Allen	Director	P.O. Box 1212 Houston, Texas 77001
Benjamin F. Biaggini	Director	65 Market Street San Francisco, California 94111
W. D. P. Carey	Director	1632 Chicago Avenue Evanston, Illinois 60204
Charles W. Hamilton	Director	1010 Milam Street Houston, Texas 77002
Henry U. Harris, Jr.	Director	120 Broadway New York, New York 10005
H. Malcolm Lovett	Director	1600 Niels Esperson Building Houston Texas, 77002
Earl Rudder	Director	Texas A & M University College Station, Texas 77843
W. E. Scott	Director	1010 Milam Street Houston, Texas 77002
Irvin M. Shlenker	Director	1010 Milam Street Houston, Texas 77002

Officers

Gardiner Symonds	Chairman of the Board	1010 Milam Street Houston, Texas 77002
N. W. Freeman	President	1010 Milam Street Houston, Texas 77002
Simon Askin	Vice Chairman of the Board	1010 Milam Street Houston, Texas 77002
Sydney T. Ellis	Vice Chairman of the Board	1010 Milam Street Houston, Texas 77002
R. E. McGee	Executive Vice President	1010 Milam Street Houston, Texas 77002
W. Duke Walser	Executive Vice President	1010 Milam Street Houston, Texas 77002
S. F. Allison	Senior Vice President	1632 Chicago Avenue Evanston, Illinois 60204
W. E. Scott	Senior Vice President	1010 Milam Street Houston, Texas 77002
O. H. Simonds, Jr.	Senior Vice President	1010 Milam Street Houston, Texas 77002
L. C. Ackerman	Vice President	4101 Washington Avenue Newport News, Virginia 23607
Arthur R. Broadman	Vice President	280 Park Avenue New York, New York 10017
W. M. Carpenter	Vice President	1010 Milam Street Houston, Texas 77002
M. H. Covey	Vice President and Secretary	1010 Milam Street Houston, Texas 77002
H. E. Daniels	Vice President	1010 Milam Street Houston, Texas 77002

Name	Position with Company	Address
Gilbert M. Fitzgerald	Vice President	1010 Milam Street Houston, Texas 77002
E. W. Hopkins	Vice President	1010 Milam Street Houston, Texas 77002
L. F. Lee	Vice President	1010 Milam Street Houston, Texas 77002
Robert H. Miller	Vice President	402 Solar Building Washington, D.C. 20036
Tracy S. Park, Jr.	Vice President	1010 Milam Street Houston, Texas 77002
D. L. Peters	Vice President	1010 Milam Street Houston, Texas 77002
E. P. Priebe	Vice President	1010 Milam Street Houston, Texas 77002
W. C. Sandy	Vice President	1010 Milam Street Houston, Texas 77002
C. S. Taylor, Jr.	Vice President and Associate Counsel	1010 Milam Street Houston, Texas 77002
Stanley Ward	Vice President	201 New Stine Road Bakersfield, California
C. C. Webb	Vice President	1010 Milam Street Houston, Texas 77002
Stone Wells	Vice President	1010 Milam Street Houston, Texas 77002
Anthony Zuma	Vice President	1010 Milam Street Houston, Texas 77002
Ben S. Campbell	Treasurer	1010 Milam Street Houston, Texas 77002
Donald H. Campbell	Controller	1010 Milam Street Houston, Texas 77002

CERTIFICATE

Pursuant to resolutions duly adopted by its Board of Directors on the 10th day of December, 1969, the Company hereby makes application for listing of its Common Stock, par value $5.00 per share, on The Toronto Stock Exchange, and the duly authorized officers hereby certify that the statements submitted in support thereof are true and correct.

Executed this 23rd day of February, 1970.

TENNECO INC.

By "M. H. COVEY",
Vice-President and Secretary.

Corporate Seal

Attest:

"M. W. MEYER",
Assistant Secretary

DISTRIBUTION OF COMMON STOCK AS OF DECEMBER 31, 1968

Number			Shares
47,212	....	Holders of 1 — 24 share lots	628,972
81,520	....	" " 25 — 99 " "	5,641,267
47,278	....	" " 100 — 199 " "	6,512,591
17,199	....	" " 200 — 299 " "	4,096,725
7,988	....	" " 300 — 399 " "	2,726,069
4,707	....	" " 400 — 499 " "	2,134,044
7,128	....	" " 500 — 999 " "	4,813,330
4,256	....	" " 1000 — up " "	27,914,991
217,288	Shareholders	Total shares	54,467,989